

Dear Distell Shareholder

PROPOSED RESTRUCTURING OF DISTELL'S MULTI-TIERED OWNERSHIP STRUCTURE (THE "TRANSACTION")

1. INTRODUCTION

We are addressing this letter to you as a shareholder of the Distell Group Limited ("Distell").

This letter provides a brief overview of the key features of the Transaction and its consequences. For further details in respect of the Transaction you should read the Distell Scheme Circular and the Prospectus to shareholders of Distell which accompanies this letter.

Distell Shareholders are encouraged to also familiarise themselves with the content of the Capevin Scheme Circular to Capevin Shareholders which is available on the Capevin website (<http://www.capevin.com>), setting out *inter alia* the impact of the Transaction, including the Capevin Scheme, on Capevin Shareholders.

Terms written with capital letters in this letter shall bear the meaning ascribed to them in the Distell Scheme Circular and Prospectus.

2. BRIEF TRANSACTION OVERVIEW

Distell currently has the following multi-tiered ownership structure:

- Remgro Limited and its subsidiaries (the "Remgro Group") and Capevin Holdings Limited ("Capevin") own a material interest in Distell via Remgro-Capevin Investments Proprietary Limited ("RCI"). In this regard, the Remgro Group and Capevin each hold 50% in RCI, and RCI holds 52.8% of the Distell Shares;
- This means that the Remgro Group currently has an effective economic interest of 31.4% in Distell, via its 50% shareholding in RCI and its 19.0% shareholding in Capevin;
- Capevin's 50% interest in RCI is Capevin's only asset;
- The Public Investment Corporation SOC Limited ("PIC") owns 28.0% of the Distell Shares; and
- Distell Shareholders other than RCI and PIC own the remaining 19.2% of the Distell Shares.

The Transaction involves the collapse of this multi-tiered ownership structure of Distell through a number of steps, via a new entity, Business Venture Investments Limited (to be renamed Distell Group Holdings Limited) ("DGHL"). DGHL's Ordinary Shares will be listed on the JSE in the event that the Transaction is implemented.

If implemented, the Transaction will:

- dismantle the multi-tiered ownership structure above Distell;
- leave Distell Shareholders with exactly the same economic interest in DGHL;
- increase the free float in DGHL on the JSE; and
- result in the control of DGHL vesting with the Remgro Group through the issue of unlisted voting B shares (the "B Shares") in DGHL to the Remgro Group.

3. TRANSACTION STEPS

In terms of the Transaction, Distell will propose a scheme of arrangement between Distell and the Distell Minorities (the "Distell Scheme") and Capevin will propose a scheme of arrangement between Capevin and the Capevin Shareholders (the "Capevin Scheme"), in each case to which DGHL is a party in terms of section 114 of the Companies Act, 2008, whereby DGHL will issue listed DGHL Ordinary Shares to the Capevin Shareholders and the Distell Minorities in exchange for their shares in Capevin and Distell, respectively. The result of the Distell Scheme and Capevin Scheme is that DGHL will own all the Distell Shares directly (in respect of 47.2%) and indirectly via Capevin and RCI (in respect of 52.8%). The issue

of the listed DGHL Ordinary Shares to all Capevin Shareholders and the Distell Minorities will ensure that the Capevin Shareholders and the Distell Minorities retain their current effective economic interest in Distell.

Immediately prior to implementation of the Distell Scheme and Capevin Scheme, the Remgro Group will transfer all of the shares it holds in RCI to Capevin in exchange for the issue by Capevin of further Capevin Shares to the Remgro Group (the “RCI Exchange”), resulting in the Remgro Group holding 59.5% of Capevin and, therefore, controlling Capevin and, indirectly through RCI, also Distell (through the 52.8% Distell Shares held by RCI). The Capevin Minorities (Capevin Shareholders other than the Remgro Group) will be required to approve the issue of the additional Capevin Shares (the “RCI-Related Capevin Shares”) to the Remgro Group in terms of the RCI Exchange, and both the Capevin Minorities and the Distell Minorities will be required to waive their right to a mandatory offer (the “Waiver”), which will be triggered by the Remgro Group acquiring control of Capevin and, indirectly, Distell, through the RCI Exchange.

Prior to implementation of the Schemes, DGHL will issue the B Shares to the Remgro Group. The B Shares will have no economic rights, but will provide the Remgro Group with the same level of voting rights in Distell as it will hold pursuant to the RCI Exchange, namely 52.8%. The requisite number of B Shares will be issued to the Remgro Group and will be linked to those DGHL Ordinary Shares that the Remgro Group will receive in exchange for its RCI-Related Capevin Shares in terms of the Capevin Scheme. The B Shares and accompanying DGHL Ordinary Shares will provide the Remgro Group with a 52.8% voting interest in DGHL. In terms of the Capevin Scheme, the Remgro Group will also receive DGHL Ordinary Shares in exchange for its current 19.0% interest in Capevin, however those DGHL Ordinary Shares will not be linked to B Shares.

As stated above, subsequent to the aforementioned steps Distell will become a wholly-owned subsidiary of DGHL directly and indirectly (via RCI and Capevin). As part of the Distell Scheme, the Distell Shares will be delisted from the JSE. Similarly, as part of the Capevin Scheme, the Capevin Shares will be delisted from the JSE. The DGHL listing will ensure that Distell Shareholders are able to trade their DGHL Ordinary Shares on the JSE, as they were previously able to trade their Distell Shares.

It should be noted that (i) the Remgro Group will not be entitled to vote on the resolutions to approve the RCI Exchange, the Waiver and the Capevin Scheme as proposed at the Capevin Scheme meeting; and (ii) RCI will not be entitled to vote on the resolutions to approve the Waiver and the Distell Scheme as proposed at the Distell Scheme Meeting.

Key features of the Transaction include:

- the Remgro Group will retain its level of voting in Distell, obtained pursuant to the RCI Exchange, through the proposed creation and issue of the B Shares and the resulting dilution of the voting rights of the Distell Minorities and the Capevin Minorities;
- The B Shares will not lead to any economic dilution for the Distell Minorities or the Capevin Minorities.

Notwithstanding the fact that the economic interests of the Distell Minorities will not be diluted by the B Shares, their voting rights will be diluted as illustrated in section 5 of this letter, below.

4. BENEFITS OF THE TRANSACTION

The Distell Independent Board believes that, although the Transaction will provide the Remgro Group with specific rights regarding control of DGHL, the Transaction will nonetheless be beneficial to Distell and the Distell Minorities, as it will, *inter alia*:

- result in the elimination of the current multi-tiered ownership structure of Distell, leaving a single entry point to investing in Distell (namely DGHL);
- likely improve the demand, liquidity and marketability of the DGHL Ordinary Shares, by comparison to the equivalent for Distell Shares and Capevin Shares, respectively;
- result in an increased free float of DGHL Ordinary Shares, which should enhance the weighting thereof in stock market indices both on the JSE and internationally;
- simplify Distell’s capital structure and thereby likely improve Distell’s investment appeal to both foreign and local investors;
- simplify DGHL’s ability to raise capital, should it need to do so to support Distell’s long-term growth strategy; and
- retain the stability and continuity which follows as a result of the Remgro Group as an anchor shareholder of DGHL.

5. **HOW THE TRANSACTION WILL AFFECT YOU**

The DGHL Ordinary Shares will afford Distell Shareholders the same economic interest and participation in Distell, via DGHL, as such shareholders held prior to implementation of the Transaction. The Distell Minorities' voting rights and the Capevin Minorities' indirect voting rights in relation to Distell will, however, be diluted by c.35% as a result of the B Shares issued to the Remgro Group.

The table below contains an illustrative example of the effect of such dilution, namely a Distell Shareholder's shareholding and voting rights in Distell pre- and post- the Transaction:

Distell Shareholder's direct interest in Distell	Before	After
Direct economic interest in Distell/DGHL	5.00%	5.00%
Direct voting interest in Distell/DGHL	5.00%	3.21%

For a tabular summary of the B Share terms, please refer to Annexure 6 of the Distell circular that accompanies this letter.

6. **TRANSACTION SUPPORT**

The Transaction has the support of Distell's largest disinterested shareholder, the PIC. The Remgro Group is also supportive of the Transaction, but will not be entitled to vote on the Transaction.

7. **VIEWS OF THE DISTELL INDEPENDENT BOARD**

The Distell Independent Board has considered the terms of the Transaction and has taken into account the opinion of the independent expert. It is the opinion of the Distell Independent Board that such terms are for the benefit of Distell Shareholders and, accordingly, recommends that Distell Minorities vote in favour of the resolutions required to implement the Transaction.

8. **MEETING OF SHAREHOLDERS**

The Distell Scheme meeting is to be held at 12h00 on Friday, 27 October 2017, at Van Ryn's Distillery & Brandy Cellar, Van Ryn Road, Vlottenburg, Stellenbosch, 7600 in order to consider and, if deemed fit, pass the special and ordinary resolutions necessary to give effect to the Transaction.

The Remgro Group and its related parties will not vote their Capevin Shares on the resolutions to be proposed at the Capevin Scheme meeting and RCI and its related parties will not vote its Distell Shares on the resolutions to be proposed at the Distell Scheme meeting.

We thank you for the attention given to the matters above.

Yours sincerely

AC Parker

Lead Independent Director

Stellenbosch

Tuesday, 12 September 2017

THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

This is a copy of a registered Prospectus.

If you are in any doubt as to any action you should take in relation to this Prospectus, please consult your CSDP, banker, broker, legal adviser, accountant or other professional adviser immediately.

The definitions and interpretations commencing on page 5 of the Prospectus have been used and are applicable to this front cover and throughout this document, unless otherwise stated.

The distribution of this document in jurisdictions other than South Africa may be restricted by law, and persons into whose possession this document comes should inform themselves about and observe any such restriction. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. The Ordinary Shares are not transferable except in accordance with, and the distribution of this document is subject to, the restrictions set out in Section Two Paragraph 2.5.6 of this Prospectus. Accordingly, this document may not be supplied to the public in any jurisdiction in which any registration, qualification or other requirements exist or would exist in respect of any public offering of shares. This document does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, any securities other than the Ordinary Shares by any person in any circumstances in which such offer or solicitation is unlawful and is not for distribution in or into Australia, Canada, Japan or the United States.

BUSINESS VENTURE INVESTMENTS NO 1997 LIMITED to be renamed **DISTELL GROUP HOLDINGS LIMITED**

(Incorporated in South Africa)
(Registration number 2016/394974/06)
JSE share code: DGH ISIN: ZAE000248811
("DGHL" or "the Company")

PROSPECTUS

in relation to –

- The restructuring of Distell's ownership structure through *inter alia* Schemes of Arrangement between Distell and the Distell Minorities, and Capevin and the Capevin Shareholders, in each case to which DGHL is a party, pursuant to which an aggregate 222 382 356 (two hundred and twenty two million three hundred and eighty two thousand three hundred and fifty six) Ordinary Shares will be issued to the Distell Minorities and the Capevin Shareholders in exchange for all their shares in Distell and Capevin, respectively, and 124 226 613 (one hundred and twenty four million two hundred and twenty six thousand six hundred and thirteen) B Shares in DGHL will be issued to Remgro Beverages;
- the listing of the Ordinary Shares in DGHL on the JSE.

Pursuant to implementation of the Transaction, the Distell Shares and the Capevin Shares will be delisted from the Main Board of the JSE and the name of the Company will be changed to Distell Group Holdings Limited.

The issue of Ordinary Shares in DGHL to the Distell Minorities and Capevin Shareholders in terms of the Schemes could constitute an offer to the public in terms of section 95(1)(h) of the Companies Act. This Prospectus is issued in compliance with the Companies Act, more specifically section 99(2) of the Companies Act, the Regulations and the Listings Requirements, for the purpose of providing information with regard to DGHL and the Transaction (including the Schemes), and the listing of 222 382 356 (two hundred and twenty two million three hundred and eighty two thousand three hundred and fifty six) Ordinary Shares, and is accompanied by the Distell Circular and the Capevin Circular.

This Prospectus is not an invitation to the general public to subscribe for securities, but is issued in compliance with the Companies Act, the Regulations and the Listings Requirements, for the purpose of providing information to Scheme Participants regarding DGHL and to provide information to Scheme Participants with regards to the Transaction.

Prior to implementation of the Transaction, the authorised ordinary share capital of DGHL comprises of (i) 20 000 000 000 (twenty billion) Ordinary Shares, of which 1 (one) Ordinary Share has been issued to Remgro Beverages, and (ii) 300 000 000 (three hundred million) B Shares, of which no B Shares have been issued. Following the implementation of the Transaction, (i) the authorised Ordinary Share capital of DGHL will comprise 20 000 000 000 (twenty billion) Ordinary Shares and the issued Ordinary Share capital will comprise 222 382 356 (two hundred and twenty two million three hundred and eighty two thousand three hundred and fifty six) Ordinary Shares; and (ii) the authorised B Share capital of DGHL will comprise 300 000 000 (three hundred million) B Shares and the issued B Share capital will comprise 124 226 613 (one hundred and twenty four million two hundred and twenty six thousand six hundred and thirteen) B Shares. There will be no Ordinary Shares held in treasury immediately prior to implementation of the Transaction, but following implementation of the Transaction there will be 2 997 994 (two million nine hundred and ninety seven thousand nine hundred and ninety four) Ordinary Shares held in treasury as more fully detailed in Section One Paragraph 1.4.4.

The Interim DGHL Directors, whose names are provided in Section One Paragraph 1.2.4 of this Prospectus, collectively and individually, accept full responsibility for the accuracy of the information given in this Prospectus (but only insofar as such information relates to DGHL and only to the extent that they are required to accept such responsibility in terms of the Companies Act and/or the Listings Requirements) and certify that, to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the Prospectus contains all information required by law and the Listings Requirements.

The Distell Directors, whose members are identified in the Section One Paragraph 1.2.5, collectively and individually, accept full responsibility for the accuracy of the information given in this Prospectus (but only insofar as such information relates

to Distell and only to the extent that they are required to accept such responsibility in terms of the Companies Act and/or the Listings Requirements) and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the Prospectus contains all information required by law and the Listings Requirements.

The Capevin Directors, whose members are identified in Section One Paragraph 1.2.21.1, collectively and individually, accept full responsibility for the accuracy of the information given in this Prospectus (but only insofar as such information relates to Capevin and only to the extent that they are required to accept such responsibility in terms of the Companies Act and/or the Listings Requirements) and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the Prospectus contains all information required by law and the Listings Requirements.

The RCI Directors, whose names are provided in Section One Paragraph 1.2.21.2 of the Prospectus, collectively and individually, accept full responsibility for the accuracy of the information given in this Prospectus (but only insofar as such information relates to RCI and only to the extent that they are required to accept such responsibility in terms of the Companies Act and/or the Listings Requirements) and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the Prospectus contains all information required by law and the Listings Requirements.

The Ordinary Shares will, upon issue, be fully paid up, freely transferable and rank *pari passu* with one another. Regard should be had to the provisions of the B Share Terms for the consequences which will follow if Linked Ordinary Shares and/or B Shares are transferred other than in accordance with the B Share Terms. The voting rights, dividend entitlement and other rights and privileges of the B Shares are set out in Section Two Paragraph 2.3.11 of this Prospectus as read with the B Share Terms.

The Transaction does not contemplate the raising of any capital in respect of DGHL. In the circumstances, the listing of the Ordinary Shares is not subject to a minimum amount being raised. The Ordinary Shares which are the subject of the Schemes are not subject to any conversion or redemption provisions.

The JSE has granted the Company a Main Board listing of 222 382 356 (two hundred and twenty two million three hundred and eighty two thousand three hundred and fifty six) Ordinary Shares in the “Beverages” sector of the JSE lists with the abbreviated name “Distell”, JSE share code DGH and ISIN ZAE000248811 which, in respect of the Ordinary Shares to be issued in terms of the Capevin Scheme, will be with effect from the commencement of business on Wednesday, 7 February 2018, and in respect of the Ordinary Shares to be issued in terms of the Distell Scheme, will be with effect from the commencement of business on Friday, 9 February 2018.

The Ordinary Shares will only be traded on the JSE trading system in electronic form.

The sponsor, legal advisers and transfer secretaries, whose names are included in this Prospectus, have consented in writing to act in the capacities stated and to their names being included in this Prospectus and have not withdrawn their consents prior to the publication of this Prospectus.

The DGHL Group will, upon implementation of the Transaction, consist of DGHL, the Distell Group (being Distell and its Subsidiaries), Capevin and RCI (as holding companies of Distell). In this regard, as both Distell and Capevin have been listed on the JSE for an extensive period of time, the majority of information required for disclosure in this Prospectus is in the public domain. This Prospectus does, where possible, incorporate the required information by reference to the relevant public documents in which the applicable information regarding the Distell Group and Capevin, respectively, can be located.

A copy of this Prospectus was registered by CIPC on Friday, 15 September 2017.

This Prospectus is available in English and further copies may be obtained during normal business hours from Wednesday, 20 September 2017 to Friday, 27 October 2017 from DGHL's registered offices, or from the offices of DGHL's sponsor, details of which are set out in the “Corporate Information” section of this Prospectus. The Prospectus can also be obtained from Distell and Capevin's websites at www.distell.co.za and www.capevin.com, respectively.

Financial Adviser, Merchant Bank and JSE Sponsor to DGHL



Legal Adviser



Primary Bankers



Transfer Secretaries



Date and place of incorporation of the Company: 9 September 2016, South Africa

Date of issue of this Prospectus: 20 September 2017.

FORWARD-LOOKING STATEMENTS

This Prospectus includes statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “anticipates”, “intends”, “considers”, “expects”, “seeks”, “target”, “strategy”, “objective”, “aim”, “continue”, “intends”, “may”, “will” or “should” or, in each case, their negative or other variations or comparable terminology.

These forward-looking statements relate to matters that are not historical facts. They appear in a number of places throughout this Prospectus and include statements regarding the intentions, beliefs or current expectations of DGHL concerning, among other things, the investment objective and investment policy, financing strategies, investment performance, results of operations, financial condition, liquidity, prospects and dividend payments and policy of DGHL and the markets in which it, directly and indirectly, invests and the resources available to it.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. The actual investment performance of DGHL, its results of operations, financial condition, liquidity, dividend payments and the development of its financing strategies and the operation of the markets in which it is, directly or indirectly, invested and the actual resources available to them, may differ materially from the impression created by the forward-looking statements contained in this Prospectus.

In addition, even if the investment performance, results of operations, financial condition, liquidity and dividend payments of DGHL, the development of the financing strategies and the operation of the markets in which they are, directly or indirectly, invested are consistent with the forward-looking statements contained in this Prospectus, those results or developments or markets or resources may not be indicative of results or developments or markets or resources in subsequent periods.

Important factors that may cause these differences include, but are not limited to, the risk factors set out in Section One Paragraph 1.3.6 of this Prospectus, changes in economic conditions generally, legislative/regulatory changes, DGHL's dependence on its information systems to operate, business development risks, the cost and availability of capital for future growth in operations, the cost and availability of suitable financing, and the ability of DGHL to attract and retain suitably qualified personnel.

These forward-looking statements speak only as at the date of this Prospectus. Subject to its legal and regulatory obligations, DGHL expressly disclaims any obligations to update or revise any forward-looking statement contained herein to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based.

DGHL qualifies all of its forward-looking statements by these cautionary statements.

GENERAL

This Prospectus should be read in its entirety (including the information incorporated therein by reference) and in conjunction with the Circulars provided to the Distell Shareholders and the Capevin Shareholders. This Prospectus has been prepared solely for purposes of complying with the Companies Act and the Regulations in respect of the offer to the public which may result from the offer to the Scheme Participants, in terms of the Schemes, to receive the Ordinary Shares. In making any investment decision, whether in relation to the Schemes or otherwise, prospective shareholders and investors should make such decisions on the basis of the Circulars, as applicable, and not on the basis of this Prospectus alone.

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CORPORATE INFORMATION

BUSINESS VENTURE INVESTMENTS NO 1997 LIMITED, to be renamed

DISTELL GROUP HOLDINGS LIMITED

(Registration number 2016/394974/06)

JSE Share Code: DGH

ISIN: ZAE000248811

Date and place of incorporation

Pretoria, 9 September 2016

Financial Adviser, Merchant Bank and JSE Sponsor to DGHL

Rand Merchant Bank

(A division of FirstRand Bank Limited)

(Registration number: 1929/001225/06)

1 Merchant Place, Corner Fredman Drive and

Rivonia Road, Sandton, 2196

(PO Box 786273, Sandton, 2146)

Legal Advisers to DGHL

Edward Nathan Sonnenbergs Incorporated

(Registration number 2006/018200/21)

97 Dorp Street, Stellenbosch, 7600

(PO Box 940, Stellenbosch, 7599)

Banker to DGHL

Standard Bank of South Africa Limited

Stellenbosch

(PO Box 2, Stellenbosch, 7599)

Company Secretary and Registered Office of DGHL

Danielle Ivelene Heynes

Millennia Park, 16 Stellantia Avenue

Stellenbosch

7600

Transfer Secretaries to DGHL

Computershare Investor Services Proprietary Limited

(Registration number: 2004/003647/07)

15 Biermann Avenue, Rosebank,

Johannesburg, 2196

(PO Box 61051, Marshalltown, 2107)

Reporting Accountant and Auditors of DGHL

PricewaterhouseCoopers Inc

Stellenbosch

(PO Box 57, Stellenbosch, 7599)

DEFINITIONS AND INTERPRETATION

In this Prospectus, unless otherwise stated or the context otherwise indicates, the words in the first column shall have the meanings stated opposite them in the second column and words in the singular shall include the plural and *vice versa*. Words importing natural persons shall include corporations and associations of persons and *vice versa* and an expression denoting any gender shall include the other genders:

“Adjustment Event/s”	bears the meaning ascribed thereto in the B Share Terms;
“B Share Issuance”	the issue of 124 226 613 (one hundred and twenty four million two hundred and twenty six thousand six hundred and thirteen) B Shares to Remgro Beverages by DGHL, as detailed more fully in Section Two Paragraph 2.3.2.2 of this Prospectus;
“B Share Linking”	the linking of the B Shares, issued to Remgro Beverages pursuant to the B Share Issuance, to the RCI-Related Ordinary Shares held by Remgro Beverages by virtue of the provisions of DGHL’s MOI, including the B Share Terms, as detailed in Section Two Paragraph 2.3.11.6 of this Prospectus;
“B Share Ratio”	2.117 (two point one one seven) B Shares for every 1 (one) Ordinary Share;
“B Share Terms”	the preferences, rights, limitations and other share terms attaching to the B Shares, as detailed in Annexure F to this Prospectus;
“B Shareholder/s”	(a) registered holder/s of (a) B Share/s;
“B Share/s”	unlisted, non-convertible, no par value shares in the capital of DGHL, which will have the preferences, rights, limitations and other terms as detailed in the B Share Terms;
“Business Day”	any day other than a Saturday, Sunday or official public holiday in South Africa;
“Capevin”	Capevin Holdings Limited (registration number 1997/020857/06), a company incorporated in accordance with the company laws of South Africa, whose securities are listed on the JSE;
“Capevin Circular”	the circular issued to Capevin Shareholders which has been prepared in compliance with the Companies Act and the Listings Requirements and which is issued simultaneously with, and accompanies, this Prospectus, in terms of which approval is sought for the issue of the RCI-Related Capevin Shares in respect of the RCI Exchange, the Waiver Resolution and the Capevin Scheme, which will result in the Capevin Delisting;
“Capevin Delisting”	the removal of all Capevin Shares from the list of securities admitted to listing on the JSE, as detailed more fully in Section Two Paragraph 2.3.2.7 of this Prospectus;
“Capevin Director/s” or “Capevin Board”	the board of directors of Capevin from time to time, a list of whom, as at the Last Practicable Date, appears in Section One Paragraph 1.2.21.1 below;
“Capevin Dissenting Shareholder/s”	any Capevin Shareholder/s who deliver/s a Valid Demand to Capevin;
“Capevin Financial Information”	the consolidated audited historical financial information of Capevin for the 3 (three) years ended 30 June 2017, annexed to this Prospectus as Annexure C, and the further financial information of Capevin provided in the Capevin Circular, including paragraphs 19, 29, 32, 35 and 36, thereof;
“Capevin Independent Board”	the independent board of directors of Capevin, identified as such in the Capevin Circular;
“Capevin Minorities”	all Capevin Shareholders other than Remgro International;

“Capevin Scheme”	the Scheme of Arrangement between Capevin and the Capevin Shareholders, and to which DGHL is a party, as detailed in the Capevin Circular;
“Capevin Scheme Participants”	those Capevin Shareholders who are entitled to participate in the Capevin Scheme;
“Capevin Shareholder Appraisal Rights”	the rights in terms of section 164 of the Companies Act which Capevin Minorities will be entitled to exercise pursuant to the approval of the Capevin Scheme;
“Capevin Shareholders”	all holders of Capevin Shares;
“Capevin Shares”	ordinary shares with no par value in the capital of Capevin;
“Certificate” and “Certificated”	the process by which electronic records of ownership of shares are replaced with paper share certificates and/or other documents of title;
“CIPC”	the Companies and Intellectual Property Commission;
“Circular/s”	collectively the Capevin Circular and the Distell Circular;
“Common Monetary Area”	South Africa, the Republic of Namibia and the Kingdoms of Swaziland and Lesotho;
“Companies Act”	the Companies Act, 2008 (Act 71 of 2008), as amended;
“Competition Act”	the Competition Act, 1998 (Act 89 of 1998), as amended;
“Condition/s Precedent”	the conditions precedent to which the Capevin Scheme and the Distell Scheme, respectively, are subject, as detailed in Section Two Paragraph 2.3.6 of this Prospectus;
Coronation	Coronation Asset Management Proprietary Limited (registration number 1993/002807/07), a company incorporated in accordance with the company laws of South Africa;
“CSDP”	a Central Securities Depository Participant registered in terms of the FMA;
“CSP Scheme”	the proposed conditional share plan scheme which may be applicable in respect of DGHL and which has been conditionally approved by Remgro Beverages, as sole shareholder of DGHL, in respect of DGHL as detailed more fully in Section Four Paragraph 4.3 of this Prospectus, as read with the Incentive Plan Circulars;
“Dematerialise” and “Dematerialised”	the process by which paper share certificates or other documents of title are replaced with electronic records of ownership under Strate with a duly appointed CSDP or broker, as the case may be;
“Dematerialised Share/s”	Share/s which have been Dematerialised;
“DGHL”	Business Venture Investments No 1997 Limited (registration number 2016/394974/06), a company incorporated in accordance with the company laws of South Africa, whose Ordinary Shares are to be listed on the JSE and which is to be renamed “ <i>Distell Group Holdings Limited</i> ” immediately after the Transaction becomes unconditional;
“DGHL Director/s” or “DGHL Board”	the board of directors of DGHL from time to time;
“DGHL Group”	DGHL and its Subsidiaries from time to time which, after implementation of the Transaction, will include the Distell Group, Capevin and RCI, and which in appropriate circumstances will mean any 1 (one) or more member/s of the DGHL Group;
“DGHL SAR Scheme”	the group equity settled share appreciation rights scheme which will be applicable in respect of DGHL and which has been approved by Remgro Beverages, as sole shareholder of DGHL, as detailed more fully in Section Four Paragraph 4.2 of this Prospectus and extracts from the rules of which scheme are detailed in Annexure M to this Prospectus, which scheme is substantially similar to the Distell Employee Scheme;

“Director/s” or “the Board”	the directors of DGHL from time to time, including the Interim DGHL Directors and the Final DGHL Directors;
“Distell”	Distell Group Limited (registration number 1988/005808/06), a company incorporated in accordance with the company laws of South Africa, whose securities are listed on the JSE;
“Distell 2016 AGM”	the annual general meeting of Distell Shareholders which was held on 20 October 2016;
“Distell 2017 AGM”	the annual general meeting of Distell Shareholders to be held on Friday, 27 October 2017;
“Distell Circular”	the circular issued to Distell Shareholders which has been prepared in compliance with the Companies Act and the Listings Requirements, and which is issued simultaneously with, and accompanies, this Prospectus, in terms of which approval is sought for the Waiver Resolution and the Distell Scheme, which will result in the Distell Delisting;
“Distell Delisting”	the removal of all Distell Shares from the list of securities admitted to listing on the JSE, as detailed more fully in Section Two Paragraph 2.3.2.7 of this Prospectus;
“Distell Director/s” or “Distell Board”	the board of directors of Distell from time to time, a list of whom, as at the Last Practicable Date, appears in Section One Paragraph 1.2.5 below;
“Distell Dissenting Shareholder/s”	any Distell Shareholder/s who deliver/s a Valid Demand to Distell;
“Distell Employee Scheme”	the Distell Equity Settled Share Appreciation Right Scheme approved by the Distell Shareholders at Distell’s annual general meeting held in 2010;
“Distell Group”	Distell and its Subsidiaries from time to time which, after implementation of the Transaction, will form part of the DGHL Group, and which in appropriate circumstances will mean any 1 (one) or more member/s of the Distell Group;
“Distell Financial Information”	the consolidated audited historical financial information of Distell for the 3 (three) years ended 30 June 2017, annexed to this Prospectus as Annexure B, and the further financial information of Distell provided in the Distell Circular, including paragraphs 19, 29, 32, 35 and 36, thereof;
“Distell Independent Board”	the independent board of directors of Distell, identified as such in the Distell Circular;
“Distell Minorities”	all Distell Shareholders other than RCI;
“Distell Scheme”	the Scheme of Arrangement between Distell and the Distell Minorities, and to which DGHL is a party, as detailed in the Distell Circular;
“Distell Scheme Participants”	those Distell Shareholders who are entitled to participate in the Distell Scheme;
“Distell Shareholder Appraisal Rights”	the rights in terms of section 164 of the Companies Act which Distell Minorities will be entitled to exercise pursuant to the approval of the Distell Scheme;
“Distell Shareholders”	all holders of Distell Shares;
“Distell Shares”	ordinary shares with a par value of R0.01 (zero point zero one Rand) each in the capital of Distell;
“FAIS”	the Financial Advisory and Intermediary Services Act, 2002 (Act 37 of 2002) as amended;
“Final DGHL Director/s” or “Final DGHL Board”	the directors of DGHL who will be appointed after the Conditions Precedent have been fulfilled or waived, if applicable, as more fully detailed in Section One Paragraph 1.2.5 of this Prospectus;

“FMA”	the Financial Markets Act, 2012 (Act 19 of 2012), as amended;
“Foreign Competition Authorities”	the competition authorities (if any) having jurisdiction in the countries listed in Annexure K to this Prospectus;
“ICT”	information, communication and technology;
“IFRS”	the International Financial Reporting Standards, which comprise standards and interpretations approved by the International Accounting Standards Board, International Financial Reporting Interpretations Committee and International Accounting Standards, and Standing Interpretations Committee interpretations approved by the International Accounting Standards Board;
“Incentive Plan Circulars”	the circulars issued to Distell Shareholders and Capevin Shareholders, respectively, simultaneously with and which accompany this Prospectus, the Distell Circular and the Capevin Circular, in terms of which <i>inter alia</i> an advisory vote is sought in respect of the CSP Scheme;
“Income Tax Act”	the Income Tax Act, 1962 (Act 58 of 1962), as amended;
“Interim DGHL Director/s” or “Interim DGHL Board”	the directors of DGHL as at the Last Practicable Date, as detailed in Section One Paragraph 1.2.4 of this Prospectus, who will be replaced by the Final DGHL Directors once the Conditions Precedent have been fulfilled or waived, if applicable;
“JSE”	the stock exchange operated by JSE Limited (registration number 2005/022939/06), a company incorporated in accordance with the company laws of South Africa and licensed as an exchange under the FMA;
“King Code”	the King Report on Corporate Governance for South Africa, as applicable as at the Last Practicable Date;
“Last Practicable Date”	the last practicable date prior to the finalisation of the Prospectus, being 13 September 2017;
“Linked Ordinary Share/s”	the RCI-Related Ordinary Shares held by Remgro Beverages following the Remgro Exchange which are, by virtue of the B Share Linking, linked to the B Shares issued to Remgro Beverages in terms of the B Share Issuance, as detailed in Section Two Paragraph 2.3.11.6 of this Prospectus;
“Listing”	the proposed listing of 222 382 356 (two hundred and twenty two million three hundred and eighty two thousand three hundred and fifty six) Ordinary Shares on the JSE in the Beverages sector under the abbreviated name “Distell” and ISIN ZAE000248811, which, in respect of the 117 348 000 (one hundred and seventeen million three hundred and forty eight thousand) Ordinary Shares to be issued in terms of the Capevin Scheme, will be with effect from the commencement of business on Wednesday, 7 February 2018 and, in respect of the 105 034 356 (one hundred and five million thirty four thousand three hundred and fifty six) Ordinary Shares to be issued in terms of the Distell Scheme, will be with effect from the commencement of business on Friday, 9 February 2018;
“Listings Requirements”	the JSE Listings Requirements, as amended;
“Mandatory Offer”	a “mandatory offer” as contemplated in section 123 of the Companies Act;
“Mandatory Offer Requirement”	the obligation on Remgro International to make, and the right of the Distell Minorities and Capevin Minorities, respectively, to receive, a Mandatory Offer pursuant to the implementation of the RCI Exchange;
“MOI”	the memorandum of incorporation of a company;
“New Prospectus Directive”	regulation (EU) 2017/1129 of the European Parliament, of 14 June 2017;

“Non-RCI Related Ordinary Shares”	the Ordinary Shares to be issued by DGHL to Remgro International in terms of the Capevin Scheme in respect of Remgro International’s Prior Capevin Shares, which shares are subsequently to be transferred to Remgro Beverages in terms of the Remgro Exchange;
“Option Event/s”	the event/s which trigger the cessation and lapsing of the voting rights attaching to the B Shares and DGHL’s right to repurchase the B Shares held by some or all holders thereof (depending on the event concerned), as summarised in Section Two Paragraph 2.3.11.7 of this Prospectus and detailed in full in the B Share Terms;
“Ordinary Shareholder/s”	(a) registered holder of Ordinary Share/s;
“Ordinary Share/s”	(an) ordinary share/s with no par value in the capital of DGHL, which are to be listed on the JSE in terms of the Listing;
“Original Ordinary Share”	the 1 (one) Ordinary Share in DGHL held by Remgro Beverages as at the Last Practicable Date, being the only issued share in DGHL prior to implementation of the Transaction;
“Participating Company/ies”	DGHL, its Subsidiaries and any other relevant entities as defined in the rules of the DGHL SAR Scheme and the CSP Scheme, respectively;
“PIC”	Public Investment Corporation SOC Limited (registration number 2005/009094/06), a company incorporated in accordance with the company laws of South Africa acting as agent and representative of the Government Employees Pension Fund, existing as a juristic person in terms of the Government Employees Pension Law, 1996 (Act 21 of 1996) as amended;
“Prior Capevin Shares”	all Capevin Shares held by Remgro International immediately prior to implementation of the RCI Exchange;
“Prospectus”	the prospectus contained in this document and its annexures, registered with CIPC on Friday, 15 September 2017, which has been prepared in compliance with the Companies Act, the Regulations and the Listings Requirements and which is issued simultaneously with, and accompanied by, the Distell Circular, the Capevin Circular and the Incentive Plan Circulars;
“Prospectus Directive”	Directive 2003/71/EC of the European Parliament, of 4 November 2013, read together with the New Prospectus Directive;
“R” or “Rand”	the official currency of South Africa;
“Rand Merchant Bank” or “RMB”	Rand Merchant Bank, a division of FirstRand Bank Limited (registration number: 1929/001225/06), a company incorporated in accordance with the company laws of South Africa;
“RCI”	Remgro-Capevin Investments Proprietary Limited (registration number 1965/005620/07), a company incorporated in accordance with the company laws of South Africa;
“RCI Director/s” or “RCI Board”	the board of directors of RCI from time to time, a list of whom, as at the Last Practicable Date, appears in Section One Paragraph 1.2.21.2 below;
“RCI Exchange”	the issue by Capevin of further Capevin Shares, being the RCI-Related Capevin Shares, to Remgro International in exchange for the transfer to Capevin of all the shares in RCI held by Remgro International, as detailed more fully in Section Two Paragraph 2.3.2.3 of this Prospectus;
“RCI Financial Information”	the historical financial information of RCI for the years ended 30 June 2015, 30 June 2016 and 30 June 2017, annexed to this Prospectus as Annexure D and accompanied by the Independent Reporting Accountant’s report on RCI’s aforesaid financial information as Annexure Di;

“RCI Loan Settlement”	the settlement by RCI of its obligation to repay the shareholder loans’ advanced by each of Remgro International and Capevin, respectively, to RCI, as more fully detailed in Section Two Paragraph 2.3.4 of this Prospectus;
“RCI-Related Capevin Shares”	the Capevin Shares to be issued by Capevin to Remgro International in terms of the RCI Exchange;
“RCI-Related Ordinary Shares”	the Ordinary Shares to be issued by DGHL to Remgro International in terms of the Capevin Scheme in respect of Remgro International’s RCI-Related Capevin Shares, which shares are subsequently to be transferred to Remgro Beverages in terms of the Remgro Exchange;
“Regulation/s”	(a) regulation/s issued in terms of the Companies Act;
“Remgro”	Remgro Limited (registration number 1968/006415/06), a company incorporated in accordance with the company laws of South Africa, whose securities are listed on the JSE;
“Remgro Beverages”	Remgro Beverages Proprietary Limited (registration number 2016/394940/07), a company incorporated in accordance with the company laws of South Africa;
“Remgro Exchange”	the issue by Remgro Beverages of an appropriate number of Remgro Beverages shares, having regard to the respective values of the Remgro Beverages shares and the Ordinary Shares once the Conditions Precedent are fulfilled, to Remgro International in exchange for the transfer to Remgro Beverages of the Ordinary Shares held by Remgro International following implementation of the Capevin Scheme, being the RCI-Related Ordinary Shares and the Non-RCI Related Ordinary Shares, as detailed more fully in Section Two Paragraph 2.3.2.5 of this Prospectus;
“Remgro Group”	Remgro and its Subsidiaries from time to time and which, in appropriate circumstances, will mean any 1 (one) or more member/s of the Remgro Group;
“Remgro International”	Remgro International Holdings Proprietary Limited (registration number 1968/006356/07), a company incorporated in accordance with the company laws of South Africa and which is a wholly-owned Subsidiary of Remgro;
“Repurchase of the Original Ordinary Share”	the repurchase by DGHL of the Original Share held by Remgro Beverages for a repurchase price of R1.00 (one Rand);
“SAR/s”	equity settled share appreciation right/s granted in terms of either or both of the Distell Employee Scheme and the DGHL SAR Scheme;
“SAR Participant”	selected employees and executive directors of Participating Companies;
“SARB”	the South African Reserve Bank;
“Scheme/s”	the Distell Scheme and the Capevin Scheme;
“Scheme Circulars”	The Capevin Circular and the Distell Circular;
“Scheme/s of Arrangement”	a scheme of arrangement in terms of section 114 of the Companies Act;
“Scheme Participant/s”	the Distell Scheme Participant/s and the Capevin Scheme Participant/s;
“SENS”	the Stock Exchange News Service of the JSE;
“Shareholder/s”	holders of Share/s in DGHL from time to time;
“Shares”	Ordinary Shares and B Shares;
“South Africa” or “SA”	the Republic of South Africa;
“South African Competition Authorities”	the competition commission established in terms of Chapter IV, Part A of the Competition Act, or the competition tribunal established in terms of Chapter IV, Part B of the Competition Act, as the case may be;

“Strate”	Strate Proprietary Limited (registration number 1998/022242/07), a company incorporated in accordance with the company laws of South Africa and registered as a central securities depository responsible for the electronic clearing and settlement of trades on the JSE;
“Subsidiary/ies”	bears the meaning ascribed thereto in the Companies Act;
“Total Voting Rights”	all voting rights exercisable in respect of matters generally to be decided on by the Shareholders of DGHL which, for the avoidance of doubt, includes the voting rights attaching to all Linked Ordinary Shares, B Shares and Ordinary Shares which are not Linked Ordinary Shares;
“Transaction”	bears the meaning ascribed thereto in Section Two Paragraph 2.3.2 of this Prospectus;
“Transaction Step/s”	any 1 (one) or more or all of the steps making up the Transaction, as detailed in Section Two Paragraph 2.3.2 of this Prospectus;
“TRP”	the Takeover Regulation Panel, established in terms of section 196 of the Companies Act;
“TRP Waiver Ruling”	the ruling, envisaged in the TRP Guideline 2/2011 as read with Regulation 86(4), which will be sought from the TRP by Remgro International for an exemption from the Mandatory Offer Requirement if the Waiver Resolutions are approved by the requisite majorities of Distell Minorities and Capevin Minorities, respectively;
“Valid Demand/s”	demand/s made in terms of section 164(5) of the Companies Act, within the time period contemplated in section 164(7) of the Companies Act, by one or more of the Distell Shareholder/s or Capevin Shareholder/s, as the case may be, who comply with the requirements of section 164(5)(a) and (c) of the Companies Act, in terms of which such shareholder/s demand that Distell or Capevin, as the case may be, pay such shareholder/s the fair value for all of the shares such shareholder/s holds in Distell or Capevin, as the case may be;
“Waiver Exemption”	an exemption (if any) granted by the TRP, pursuant to the request by Remgro International for the TRP Waiver Ruling, in terms of which Remgro International is exempt from the obligation to make a Mandatory Offer to the Distell Minorities and the Capevin Minorities; and
“Waiver Resolution”	an ordinary resolution adopted by more than 50% (fifty percent) of the Distell Minorities in respect of Distell, and more than 50% (fifty percent) of the Capevin Minorities in respect of Capevin, in terms of which such Distell Minorities and Capevin Minorities, respectively, agree to waive the Mandatory Offer Requirement.

EXECUTIVE SUMMARY AND IMPORTANT INFORMATION

This summary contains the salient features of the Transaction, including the Listing, the RCI Exchange, the B Share Issuance, the Schemes, the Remgro Exchange, the Distell Delisting and the Capevin Delisting as set out in this Prospectus. For a full appreciation of the Prospectus, it should be read in its entirety. The definitions provided on pages 5 to 11 of the Prospectus apply *mutatis mutandis* to this summary.

A. SPECIAL NOTE TO THE PROSPECTUS

This Prospectus has been prepared on the assumption that all the Conditions Precedent, including that the resolutions required to be passed by Distell Shareholders and Capevin Shareholders to approve the RCI Exchange and the Schemes, are timeously fulfilled or waived, as the case may be.

B. INTRODUCTION AND PURPOSE

Distell currently has a multi-tiered ownership structure, in which Remgro International and Capevin hold a material interest via RCI. Remgro International and Capevin each hold 50% (fifty percent) of the shares of RCI, and RCI holds 52.8% (fifty two point eight percent) of the Distell Shares. PIC holds 28.0% (twenty eight point zero percent) of the Distell Shares. In addition, Remgro International currently holds 19.0% (nineteen percent) of the Capevin Shares.

It is proposed that the multi-tiered ownership structure of Distell be restructured and simplified through the Transaction. The result of the Transaction will be that:

- (i) all DGHL's Ordinary Shares will be listed on the Main Board of the JSE;
- (ii) DGHL will hold 100% (one hundred percent) of the Capevin Shares, Capevin will hold 100% (one hundred percent) of the shares in RCI, RCI will hold 52.8% (fifty two point eight percent) of the Distell Shares and DGHL will hold the remaining 47.2% (forty seven point two percent) of the Distell Shares directly;
- (iii) the Distell minorities, other than PIC, will share in 19.2% (nineteen point two percent) of the economic interests, and exercise 12.3% (twelve point three percent) of the voting rights, in Distell via their holding of Ordinary Shares in DGHL;
- (iv) the Capevin minorities, other than PIC, will share in 18.1% (eighteen point one percent) of the economic interests, and exercise 11.6% (eleven point six percent) of the voting rights, in Distell via their holding of Ordinary Shares in DGHL;
- (v) PIC will share in 31.3% (thirty one point three percent) of the economic interests, and exercise 20.1% (twenty point one percent) of the voting rights, in Distell via its holding of Ordinary Shares in DGHL;
- (vi) Remgro (via Remgro Beverages) will share in 31.4% (thirty one point four percent) of the economic interests, and exercise 56.0% (fifty six percent) of the voting rights, in Distell via its holding of Ordinary Shares and B Shares in DGHL. Considered alone and excluding the Ordinary Shares which Remgro Beverages will hold, the B Shares will afford Remgro Beverages a 35.8% (thirty five point eight percent) voting right in Distell; and
- (vii) all Capevin Shares and Distell Shares will be delisted from the Main Board of the JSE.

The purpose of this Prospectus is to:

- (i) provide Distell Shareholders and Capevin Shareholders with information relating to the Transaction and DGHL, including DGHL's proposed directors, management and business;
- (ii) provide Distell Shareholders and Capevin Shareholders with information relating to the DGHL SAR Scheme and the CSP Scheme;
- (iii) facilitate the issue by DGHL of 124 226 613 (one hundred and twenty four million two hundred and twenty six thousand six hundred and thirteen) B Shares to Remgro Beverages and of 222 382 356 (two hundred and twenty two million three hundred and eighty two thousand three hundred and fifty six) Ordinary Shares to the Capevin Shareholders and the Distell Minorities, pursuant to the implementation of the Transaction, including particularly the Schemes, and to bring about the Listing of the Ordinary Shares; and
- (iv) set out the salient features of the Ordinary Shares and the B Shares.

C. DETAILS OF THE TRANSACTION

For information purposes it is confirmed that, subject to the Transaction becoming unconditional, the Transaction will be implemented by way of a number of Transaction Steps as follows:

- (i) The Ordinary Shares will be listed on the JSE;
 - (ii) In terms of the B Share Issuance, DGHL will issue 124 226 613 (one hundred and twenty four million two hundred and twenty six thousand six hundred and thirteen) B Shares to Remgro Beverages for an issue price of R0.00001 (zero point zero zero zero one Rand) per B Share, amounting in aggregate to R1,242.27 (one thousand two hundred and forty two Rand and twenty seven cents). As detailed in Section Two Paragraph 2.3.11.3 of this Prospectus, the purpose of the B Share Issuance and the B Share Linking is to ensure that the Remgro Group maintains its control position, following the implementation of the RCI Exchange;
 - (iii) In terms of the RCI Exchange, Capevin will issue further Capevin Shares to Remgro International (the RCI-Related Capevin Shares) and Remgro International will settle its obligation to pay the issue price in respect of such shares through the transfer to Capevin of Remgro International's 50% (fifty percent) shareholding in RCI;
 - (iv) In terms of the Capevin Scheme, DGHL will issue 117 348 000 (one hundred and seventeen million three hundred and forty eight thousand) Ordinary Shares to the Capevin Shareholders and the Capevin Shareholders will settle their obligation to pay the issue price in respect of such Ordinary Shares through the delivery and transfer to DGHL of their Capevin Shares, by way of a Scheme of Arrangement;
 - (v) In terms of the Remgro Exchange, Remgro Beverages will issue further shares in Remgro Beverages to Remgro International and Remgro International will settle its obligation to pay the issue price in respect of such shares through the delivery and transfer to Remgro Beverages of the Ordinary Shares in DGHL held by Remgro International (being the RCI-Related Ordinary Shares and the Non-RCI related Ordinary Shares);
 - (vi) In terms of the Distell Scheme, DGHL will issue 105 034 356 (one hundred and five million thirty four thousand three hundred and fifty six) Ordinary Shares to the Distell Minorities and the Distell Minorities will settle their obligation to pay the issue price in respect of such Ordinary Shares through the delivery and transfer to DGHL of their Distell Shares, by way of a Scheme of Arrangement;
 - (vii) Capevin and Distell will be delisted (in terms of the Capevin Delisting and the Distell Delisting, respectively); and
 - (viii) DGHL will repurchase the Original Ordinary Share from Remgro Beverages for a repurchase price of R1.00 (one Rand),
- (each a “**Transaction Step**” and together the “**Transaction**”).

D. DETAILS OF THE LISTING

The JSE has granted DGHL a listing of 222 382 356 (two hundred and twenty two million three hundred and eighty two thousand three hundred and fifty six) Ordinary Shares, in the “Beverages” sector of the JSE lists with the abbreviated name “Distell”, JSE share code DGH and ISIN ZAE000248811. It is anticipated that, subject to the Conditions Precedent being fulfilled, or waived, if applicable, the Listing in respect of the Ordinary Shares to be issued in terms of the Capevin Scheme will be effective from the commencement of business on Wednesday, 7 February 2018 and in respect of the Ordinary Shares to be issued in terms of the Distell Scheme will be effective from the commencement of business on Friday, 9 February 2018.

E. REQUISITE APPROVALS

Save for (i) the approval of the South African Competition Authorities and Foreign Competition Authorities being obtained and (ii) the TRP granting the TRP Waiver Ruling and issuing a TRP compliance certificate in respect of the Distell Scheme and the Capevin Scheme, respectively, all requisite regulatory approvals regarding the offer, issue and listing of the Ordinary Shares, including SARB approval, have been obtained.

F. **SALIENT TIMES AND DATES**

2017

Record date to determine which Capevin Shareholders are entitled to receive the Capevin Circular	Friday, 15 September
Record date to determine which Distell Shareholders are entitled to receive the Distell Circular	Friday, 15 September
Circular posted to Capevin Shareholders and notice convening the Capevin Scheme meeting released on SENS	Wednesday, 20 September
Circular posted to Distell Shareholders and notice convening the Distell Scheme meeting released on SENS	Wednesday, 20 September
Last day for Capevin Minorities to make representations to the TRP in respect of the waiver of the Mandatory Offer Requirement	Thursday, 5 October
Last day for Distell Minorities to make representations to the TRP in respect of the waiver of the Mandatory Offer Requirement	Thursday, 5 October
Last day to trade in order to be recorded in the Capevin share register in order to be eligible to attend and vote at the Capevin Scheme meeting	Tuesday, 17 October
Last day to trade in order to be recorded in the Distell share register in order to be eligible to attend and vote at the Distell Scheme meeting	Tuesday, 17 October
Voting record date for Capevin Shareholders to be recorded in the Capevin share register in order to be eligible to attend and vote at the Capevin Scheme meeting	Friday, 20 October
Voting record date for Distell Shareholders to be recorded in the Distell share register in order to be eligible to attend and vote at the Distell Scheme meeting	Friday, 20 October
For administrative purposes, date by which forms of proxy for the Capevin Scheme meeting are to be lodged, by 09h00	Wednesday, 25 October
For administrative purposes, date by which forms of proxy for the Distell Scheme meeting are to be lodged, by 09h00	Wednesday, 25 October
Form of proxy to be handed to the chairman of the Capevin Scheme meeting, at any time before the proxy exercises any rights of the Capevin Shareholder at the Capevin Scheme meeting on	Friday, 27 October
Form of proxy to be handed to the chairman of the Distell Scheme meeting, at any time before the proxy exercises any rights of the Distell Shareholder at the Distell Scheme meeting on	Friday, 27 October
Capevin Scheme meeting to be held at 09h00, at the Burgher House, corner of Alexander and Blom Streets, Stellenbosch, 7600, on	Friday, 27 October
Distell Scheme meeting to be held at 12h00, at Van Ryn's Distillery & Brandy Cellar, Van Ryn Road, Vlottenburg, Stellenbosch, Western Cape, 7600, on	Friday, 27 October
Results of the Capevin Scheme meeting released on SENS	Friday, 27 October
Results of the Distell Scheme meeting released on SENS	Friday, 27 October
Results of the Capevin Scheme meeting to be published in the press	Monday, 30 October
Results of the Distell Scheme meeting to be published in the press	Monday, 30 October
Capevin intends to send notice of the passing of the special resolution approving the Capevin Scheme, in terms of section 164(4) of the Companies Act	Monday, 30 October
Distell intends to send notice of the passing of the special resolution approving the Distell Scheme, in terms of section 164(4) of the Companies Act	Monday, 30 October

If (i) all of the resolutions relating to the Distell Scheme are passed by the requisite majority of Distell Shareholders at the Distell Scheme meeting, and (ii) all of the resolutions relating to the Capevin Scheme are passed by Capevin shareholders at the Capevin Scheme meeting

Last day for Capevin Minorities who voted against the Capevin Scheme to require Capevin to seek court approval for the Capevin Scheme in terms of section 115(3)(a) of the Companies Act	Friday, 3 November
Last day for Distell Minorities who voted against the Distell Scheme to require Distell to seek court approval for the Distell Scheme in terms of section 115(3)(a) of the Companies Act	Friday, 3 November
Last day for Capevin to send notice of adoption of special resolutions in accordance with section 164(4) of the Companies Act	Friday, 10 November
Last day for Distell to send notice of adoption of special resolutions in accordance with section 164(4) of the Companies Act	Friday, 10 November
Last day for Capevin Minorities who voted against the Capevin Scheme to apply to court for leave to apply for a review of the Transaction in terms of section 115(3)(b) of the Companies Act	Friday, 10 November
Last day for Distell Minorities who voted against the Distell Scheme to apply to court for leave to apply for a review of the Transaction in terms of section 115(3)(b) of the Companies Act	Friday, 10 November

2018

Anticipated receipt of approval of the South African Competition Authorities on or before	Monday, 29 January
Anticipated receipt of approval of the Foreign Competition Authorities on or before	Monday, 29 January
Capevin to receive compliance certificate from the TRP	Monday, 29 January
Distell to receive compliance certificate from the TRP	Monday, 29 January
If all Conditions Precedent relating to the Transaction are fulfilled or waived (to the extent applicable)	
Finalisation announcement expected to be released on SENS	Monday, 29 January
Implementation of the RCI Exchange and the B Share Issuance	Monday, 29 January
Finalisation announcement expected to be published in the press	Tuesday, 30 January
Last day to trade (in respect of Capevin) in order for Capevin Shareholders to be recorded on Capevin's register on the Capevin record date	Tuesday, 6 February
Capevin Shares expected to be suspended on the JSE trading system	Wednesday, 7 February
Ordinary Shares to be allocated to Capevin Shareholders listed on the JSE	Wednesday, 7 February
Capevin Shareholders can trade their entitlement to Ordinary Shares	Wednesday, 7 February
Announcement released on SENS regarding cash payment due to Capevin Scheme Participants in respect of fractional entitlements to Ordinary Shares	Thursday, 8 February
Last day to trade (in respect of Distell) in order for Distell Shareholders to be recorded on Distell's register on the Distell record date	Thursday, 8 February
Distell Shares expected to be suspended on the JSE trading system	Friday, 9 February
Ordinary Shares to be allocated to Distell Shareholders listed on the JSE	Friday, 9 February
Distell Shareholders can trade their entitlement to Ordinary Shares	Friday, 9 February
Expected Capevin record date on which Capevin Shareholders must be recorded in the Capevin register to participate in the Capevin Scheme	Friday, 9 February
Implementation of the Capevin Scheme	Monday, 12 February

Capevin Shareholders' CSDP or broker accounts updated to reflect their Ordinary Shares	Monday, 12 February
Expected termination of the listing of Capevin Shares at commencement of trade on the JSE	Tuesday, 13 February
Expected Distell record date on which Distell Shareholders must be recorded in Distell's register to participate in the Transaction	Tuesday, 13 February
Implementation of the Distell Scheme	Wednesday, 14 February
Distell Shareholders' CSDP or broker accounts updated to reflect their Ordinary Shares	Wednesday, 14 February
Expected termination of the listing of Distell Shares at commencement of trade on the JSE	Thursday, 15 February

Notes:

1. All times shown above are South African local times.
2. All dates and times in respect of the Transaction are subject to change. The above dates have been determined based on certain assumptions regarding the Transaction. The above dates will change to the extent that the requisite approvals of the South African Competition Authorities and/or the Foreign Competition Authorities have not been obtained by Monday, 29 January 2018. If the relevant dates in respect of the Transaction change and the dates above are impacted, the changes will be released on SENS and published in the press.
3. It should be noted that although Capevin and Distell will attempt to send the required notice to the Distell Dissenting Shareholders and the Capevin Dissenting Shareholders, if any, in terms of section 164(4) of the Companies Act on Monday, 30 October 2017, the last day for sending this notice is 10 (ten) Business Days after the date of the relevant Scheme meeting.
4. Share certificates in Capevin may not be Dematerialised or rematerialised after Tuesday, 6 February 2018 and share certificates in Distell may not be Dematerialised or rematerialised after Thursday, 8 February 2018.
5. Please have regard to the Distell Circular and the Capevin Circular for further detail regarding the surrender of your Distell Shares and/or Capevin Shares, as may be appropriate.

G. ACTION REQUIRED

Scheme Participants who are Distell Minorities are referred to the provisions of the Distell Circular for the further action which they are required to take in relation to the Distell Scheme, which will result in the Distell Delisting.

Scheme Participants who are Capevin Shareholders are referred to the provisions of the Capevin Circular for the further action which they are required to take in relation to the RCI Exchange and the Capevin Scheme, which will result in the Capevin Delisting.

If you are in any doubt as to what action to take, you should consult your broker, legal adviser or other professional adviser immediately.

As the Ordinary Shares will be listed, they can only be traded on the JSE in electronic form, save and except as expressly contemplated in the B Share Terms in respect of Linked Ordinary Shares.

H. COPIES OF THE PROSPECTUS AND RELATED DOCUMENTS

English copies of this Prospectus, together with copies of the Distell Circular, the Capevin Circular and the Incentive Plan Circulars, are available from:

- (i) DGHL, at its registered office as set out in the "Corporate information" section of this Prospectus;
- (ii) DGHL's sponsor, Rand Merchant Bank (a division of FirstRand Bank Limited), at their address as set out in the "Corporate information" section of this Prospectus;
- (iii) Capevin's website at www.capevin.com; and
- (iv) Distell's website at www.distell.co.za.

PROSPECTUS

1. SECTION ONE: INFORMATION ABOUT THE COMPANY WHOSE SECURITIES ARE BEING OFFERED

1.1 Name, Address and Incorporation

- 1.1.1 As at the Last Practicable Date, the Company's name is Business Venture Investments No 1997 Limited, its registration number is 2016/394974/06 and its registered address is Millennia Park, 16 Stellentia Avenue, Stellenbosch, 7600.
- 1.1.2 Upon fulfilment of the Conditions Precedent, the Company's name will change to "*Distell Group Holdings Limited*" and its registered address will change to Aan-de-Wagenweg, Stellenbosch, 7600.
- 1.1.3 DGHL was incorporated on 9 September 2016.
- 1.1.4 Holding Company
 - 1.1.4.1 As at the Last Practicable Date, DGHL is a wholly-owned Subsidiary of Remgro Beverages, with Remgro Beverages holding 1 (one) Ordinary Share in DGHL (the Original Ordinary Share). Remgro Beverages is, in turn, a wholly-owned Subsidiary of Remgro.
 - 1.1.4.2 The registered address of both Remgro Beverages and Remgro is Millennia Park, 16 Stellentia Avenue, Stellenbosch, 7600.
 - 1.1.4.3 Upon implementation of the Transaction, the Scheme Participants will be issued Ordinary Shares in DGHL, Remgro Beverages will be issued B Shares and the major and controlling Shareholders of DGHL will be as detailed in Section One Paragraph 1.4.5 of this Prospectus.
- 1.1.5 Subsidiaries
 - 1.1.5.1 As at the Last Practicable Date, DGHL has no Subsidiaries.
 - 1.1.5.2 Upon implementation of the Transaction:
 - 1.1.5.2.1 Capevin will become a wholly-owned Subsidiary of DGHL. Capevin was incorporated in Pretoria, South Africa, on 2 December 1997 and its registered address is Millennia Park, 16 Stellentia Avenue, Stellenbosch, 7600.
 - 1.1.5.2.2 RCI will become a wholly-owned Subsidiary of Capevin. RCI was incorporated in Pretoria, South Africa, on 1 July 1965 and its registered address is Millennia Park, 16 Stellentia Avenue, Stellenbosch, 7600.
 - 1.1.5.2.3 Distell will become a wholly-owned Subsidiary of DGHL (directly and indirectly via Capevin and RCI). Distell was incorporated in Pretoria, South Africa, on 11 October 1988 and its registered address is Aan-de-Wagenweg, Stellenbosch, 7600.
 - 1.1.5.3 Following implementation of the Transaction, DGHL will effectively be a mirror image of Distell save that instead of being shareholders of DGHL (as they are in Distell), Capevin and RCI will be Subsidiaries of DGHL. Further detail regarding the business of Distell is provided in Section One Paragraph 1.3.3 of this Prospectus.

1.2 Directors, other Office Holders, and Material Third Parties

- 1.2.1 As at the Last Practicable Date, DGHL has an interim board (the Interim DGHL Board) which board is serving for purposes of taking the steps required of DGHL to procure the fulfilment of certain of the Conditions Precedent to the Transaction. The detail of the Interim DGHL Directors is given in Section One Paragraph 1.2.4 of this Prospectus.
- 1.2.2 Immediately once all Conditions Precedent have been fulfilled or waived, if applicable, a new board of DGHL will be constituted, which will almost exactly mirror the board of directors serving on the board of Distell as at the Last Practicable Date, save and except for 2 (two) Distell Directors who have indicated that they wish to retire and the 1 (one) new director whose appointment will be put to the Distell Shareholders for approval at the Distell 2017 AGM, as detailed in Section One Paragraph 1.2.5 below. The Final DGHL Directors have been appointed by Remgro Beverages, as sole shareholder of DGHL, with effect from the

date upon which the Transaction becomes unconditional. The Interim DGHL Directors will resign simultaneously with the appointment of the Final DGHL Directors.

1.2.3 The Distell Directors will, for a period of approximately 1 (one) month after fulfilment or waiver, if applicable, of the Conditions Precedent, serve on the board of Distell and on the board of DGHL, so as to ensure the continued, seamless and uninterrupted continuation of Distell's business. The board of Distell will then be reconstituted so as to be more appropriate in the circumstances, having regard to the fact that Distell will be a wholly-owned Subsidiary of DGHL, and DGHL will be the listed investment holding company of Distell.

1.2.4 The name, age, nationality, occupation, qualifications and business addresses of the Interim DGHL Directors are provided below. The Interim DGHL Directors will resign immediately once the Transaction becomes unconditional and simultaneously with the appointment of the Distell Directors to the board of DGHL as contemplated in Section One Paragraph 1.2.5 below, so as to constitute the Final DGHL Board.

Name, age, nationality, occupation	Qualification	Business Address
Neville John Williams, 53, South African, finance director and business man	BComm (Hons), CA(SA)	Millennia Park, 16 Stellentia Avenue, Stellenbosch, 7600
Mariza Lubbe, 47, South African, director and business woman	BA	Millennia Park, 16 Stellentia Avenue, Stellenbosch, 7600
Anel Kotze, 31, South African, business woman	BAcc (Cum laude), BAcc (Hons), CA(SA)	Millennia Park, 16 Stellentia Avenue, Stellenbosch, 7600
Nicolaas Reynecke Boonzaier, 43, South African, business man	BRek, B Compt (Hons) CA(SA)	Millennia Park, 16 Stellentia Avenue, Stellenbosch, 7600

1.2.5 The name, age, nationality, qualifications and business addresses of the Distell Directors as at the Last Practicable Date is provided in the table below. Other than Mrs L Mojela and Mr B van der Ross, who have both indicated that they wish to retire at the Distell 2017 AGM, the appointment of all the Distell Directors listed in the table below to the board of DGHL, effective immediately once the Transaction becomes unconditional, has been approved by Remgro Beverages, as sole shareholder of DGHL as at the Last Practicable Date. In addition, the Distell Directors wish to recommend to the Distell Shareholders, at Distell 2017 AGM, that the appointment of Mr M Bowman as a director of Distell be approved. Remgro Beverages has, in the circumstances, conditionally approved the appointment of Mr M Bowman to the board of DGHL, effective once the Transaction becomes unconditional, provided the appointment of Mr M Bowman to the board of Distell is approved by Distell Shareholders at the Distell 2017 AGM. In summary, therefore, those who will serve as Final DGHL Directors, if the Transaction becomes unconditional, are listed in the table below but excluding Mrs L Majola and Mr B van der Ross and including Mr M Bowman (if his appointment is approved by the Distell Shareholders at the Distell 2017 AGM). A brief curriculum vitae in respect of each proposed Final DGHL Director is provided in Annexure H to this Prospectus:

Name, age, nationality, occupation	Qualification	Business Address
Richard Rushton [#] , 54, South African	BCom	Aan-de-Wagenweg, Stellenbosch, 7600
Lucas Verwey [#] , 43, South African	BCompt (Hons), CA(SA), CFA	Aan-de-Wagenweg, Stellenbosch, 7600
Piet Beyers*, 67, South African	BCom LLB, MBA	Aan-de-Wagenweg, Stellenbosch, 7600
Gugu Dingaan* (alternate), 41, South Africa	BCom (Accounting), H Dip Acc, CA(SA)	WIPHOLD, 29 Central Street, Houghton, 2198

Name, age, nationality, occupation	Qualification	Business Address
Dr Prieur du Plessis*, 62, South African	BSc (QS), MBA (Cum Laude), DBA (Doctor of Business Administration – Finance), Chartered Director (SA)	Plexus Holdings, OptiVest House, 9 Queen Street, Durbanville, 7550
Jannie Durand, 50, South African	BAcc Hons, MPhil (Oxon), CA(SA)	Millennia Park, 16 Stellantia Avenue, Stellenbosch, 7600
Pieter Louw (alternate), 48, South African	CA(SA)	Millennia Park, 16 Stellantia Avenue, Stellenbosch, 7600
Joe Madungandaba*, 59, South African	CPA(SA)	Block 5, Ashlea Gardens Office Park, 180 Grasfontein Road, Ashlea Gardens, Pretoria
Ethel Matenge-Sebesho, 62, South African	MBA (Brunel University of London) and CAIB(SA)	Home Loan Guarantee Company, 180 Beyers Naude Drive, Risidale, 2195
Chris Otto, 67, South African	BCom LLB	1st Floor, Old Colleague Building, 35 Church Street, Stellenbosch, 7600
André Parker*, 66, South African	MCom	Aan-de-Wagenweg, Stellenbosch, 7600
Catharina Sevillano-Barredo*, 54, South African	BCom (Hons), CA(SA)	Universal House, 15 Tambach Road, Sunninghill Park
<i>Proposed additional appointment:</i>		
Mark Bowman*, 51, South African	BCom (Finance), MBA (UCT)	2 Blommenwerf Road, Silverhurst Estate, Constantia, Cape Town, 7806
<i>Proposed retirements:</i>		
Louisa Mojela*, 61, South African	BCom	WIPHOLD, 29 Central Street, Houghton, 2198
Ben van der Ross*, 70, South African	Dip Law	Aan-de-Wagenweg, Stellenbosch, 7600

* *Independent*

Executive

1.2.6 Other directorships held

Annexure I to this Prospectus sets out the names of all companies and partnerships of which the Final DGHL Directors are, or have been, either directors or partners in the 5 (five) years immediately preceding the Last Practicable Date.

1.2.7 Term of office

The appointment of:

1.2.7.1 the Interim DGHL Directors is indefinite, but the Interim DGHL Directors will resign simultaneously with the appointment of the Final DGHL Directors immediately upon fulfilment or, if applicable, waiver of the Conditions Precedent; and

1.2.7.2 the Final DGHL Directors to DGHL's Board will be indefinite, but remains subject to all applicable law, the provisions of the Listings Requirements and DGHL's MOI.

- 1.2.8 Service contracts, manner and terms and conditions of appointment
- 1.2.8.1 As at the Last Practicable Date, no service agreements are in place between DGHL and any of the Interim DGHL Directors.
 - 1.2.8.2 Once the Final DGHL Board has been appointed, there will similarly be no service contracts in respect of the executive directors who will serve on the DGHL Board.
 - 1.2.8.3 DGHL Directors will be appointed in accordance with the Companies Act, DGHL's MOI and the principles detailed in DGHL's corporate governance statement, the detail of which is provided in Section One Paragraph 1.2.16, read with Annexure J, to this Prospectus.
 - 1.2.8.4 In this regard, DGHL's nomination committee will identify individuals suitably qualified to become members of the Board and the relevant appointments will be made transparently, with involvement of the full DGHL Board.
 - 1.2.8.5 The retirement age for non-executive Directors of DGHL is 70 (seventy) years. All such non-executive Directors will retire by rotation. A minimum of 1/3 (one-third) of the directors will be obliged to retire at each annual general meeting of DGHL, during which they may make themselves available for re-election for a further term. The directors who retire shall be those longest in office since their last election.
 - 1.2.8.6 The DGHL Board will appoint a chairman on an annual basis.
- 1.2.9 Remuneration of directors
- 1.2.9.1 No remuneration or compensation is payable to the Interim DGHL Directors for their services as directors of DGHL.
 - 1.2.9.2 Once the relevant Distell Directors have been appointed as the Final DGHL Directors and have resigned from the Distell Board, their entitlement to receive remuneration from Distell will cease and they will, henceforth, be remunerated by DGHL as detailed in Section One Paragraphs 1.2.9.3 to 1.2.9.5 of this Prospectus.
 - 1.2.9.3 Remgro Beverages, as sole shareholder of DGHL, has adopted a resolution in terms of which it has approved the payment of remuneration to the Final DGHL Directors, following their appointment to the DGHL Board upon the Transaction becoming unconditional. Such remuneration is detailed below and is the same as the remuneration which has been proposed and approved by Distell's remuneration committee and the Distell Board, and which will be put to Distell Shareholders for approval at the Distell 2017 AGM, in respect of Distell Directors for the 2018 financial year. For a comparison with remuneration previously paid to Distell Directors, Scheme Participants are referred to Distell's integrated annual reports for 2016 and 2017, copies of which can be obtained from Distell's website at www.distell.co.za.
 - 1.2.9.4 In respect of executive Directors of DGHL:
 - 1.2.9.4.1 The executive Directors of DGHL will only be remunerated for the services they render as employees and executives within the Distell Group.
 - 1.2.9.4.2 The principles underpinning DGHL's remuneration of executive directors on this basis is (i) to align the interests of executive directors with that of the DGHL Shareholders; (ii) to link reward for executive directors with the performance of the DGHL Group over the short and long-term; and (iii) to ensure the retention of key executives.
 - 1.2.9.4.3 The components making up the remuneration of executive Directors will be two-fold, namely (i) guaranteed remuneration and (ii) variable, performance-related remuneration.
 - 1.2.9.4.4 As regards guaranteed remuneration, the executive Directors will receive an annual base pay including a monthly salary, car benefit, retirement- and medical-aid contributions, life and disability insurance. Comparative figures of the amounts executive Distell Directors received from Distell in respect of the 2016 and 2017 financial years are provided in the table below.

In respect of Distell							
		Incentive	Retire- ment Fund contri- bution	Medical aid contri- bution	Vehicle Benefits	2017 Total	2016 Total
	Salaries R'000	bonuses R'000	R'000	R'000	R'000	R'000	R'000
RM Rushton	6 354	3 392	579	39	418	10 782	7 805
L Verwey	3 258	1 202	409	40	313	5 222	3 090

- 1.2.9.4.5 As regards variable, performance-related remuneration, the remuneration of executive Directors of DGHL will be made up of a short-term and a long-term component, namely:
- 1.2.9.4.5.1 a short-term, cash incentive scheme which is substantially similar to the cash incentive scheme in place as at the Last Practicable Date in respect of Distell. The short-term incentive scheme will be based on DGHL Group and team performance criteria, which will be payable upon the achievement of pre-determined targets. Further detail regarding the short-term incentive scheme (in which all permanent employees within the DGHL Group will participate) is provided in Section Four Paragraph 4.1 of this Prospectus; and
- 1.2.9.4.5.2 2 (two) long-term schemes that encourage performance that enhances sustainable Shareholder value as well as the retention of key executives. The 1st (first) long-term scheme that will be applicable in respect of DGHL is a share appreciation rights scheme (the DGHL SAR Scheme), further detail of which is provided in Section Four Paragraph 4.2 of this Prospectus. Detail of the 2nd (second) long-term scheme that may be applicable in respect of DGHL, if the required advisory votes as contemplated in Section Four Paragraph 4.3.3 of this Prospectus below are adopted, is provided in Section Four Paragraph 4.3 of this Prospectus as read with the Incentive Plan Circulars. It should be noted that the Distell Remuneration Committee does not intend to make further allocations under the Distell Employee Scheme, it being the intention that the CSP Scheme (if approved in relation to Distell, as detailed in the Distell Incentive Plan Circular) will replace the Distell Employee Scheme over time. Similarly, if the Transaction proceeds and the DGHL SAR Scheme and CSP Scheme are approved in relation to DGHL, it is the intention that the CSP Scheme will replace the DGHL SAR Scheme in relation to DGHL, as more fully explained in Section Four Paragraphs 4.2 and 4.3 of this Prospectus.
- 1.2.9.5 In respect of non-executive Directors of DGHL:
- 1.2.9.5.1 Remuneration will be paid to the non-executive Directors of Distell for their services as directors, as detailed below.
- 1.2.9.5.2 All non-executive Directors will receive the same fixed annual retainer.
- 1.2.9.5.3 The annual retainer will be augmented by additional remuneration for services rendered by such non-executive Directors as members of any sub-committees of the DGHL Board. The additional fees are based on an assessment of the additional time, commitment and responsibilities assumed by the non-executive member in relation to such sub-committee. A premium will be paid to the chair of each DGHL Board sub-committee and to the lead independent director.

- 1.2.9.5.4 Non-executive Directors of DGHL will not be entitled to participate in any incentive schemes offered by DGHL, and will not receive any performance based remuneration.
- 1.2.9.5.5 The remuneration of non-executive Directors will be reviewed annually by the remuneration committee of DGHL and recommendations for increases will be made to DGHL Shareholders for consideration and approval at DGHL's annual general meeting.
- 1.2.9.5.6 The fees which will be payable to the non-executive Final DGHL Directors for the 2018 financial year, as recommended by the Distell remuneration committee and approved by Remgro Beverages, subject to the Transaction being implemented and the remuneration committee of DGHL, once appointed, ratifying same, were benchmarked against fees payable by other JSE-listed companies with a similar profile and are as detailed below. Comparative figures for the amounts which non-executive directors of Distell received in respect of the 2017 financial year are also provided:

Committee role	2018	2017
Board chairperson	R289 443	R273 059
Board member	R289 443	R273 059
Lead independent director	R957 526	R903 326
Audit chairperson	R293 890	R277 255
Audit member	R146 128	R137 857
Remuneration chairperson	R207 525	R195 778
Remuneration member	R109 223	R103 041
Social and ethics chairperson	R163 836	R154 562
Social and ethics member	R97 428	R91 913
Investment chairperson	R207 525	R195 778
Investment member	R109 223	R103 041
Risk and Compliance chairperson	R293 890	R277 255
Risk and Compliance member	R146 128	R137 857

- 1.2.9.5.7 In addition to the fixed annual retainer and the fees detailed above for serving on board committees, Remgro Beverages has authorised the DGHL Board to remunerate non-executive directors of DGHL for any additional *ad hoc* services which such directors may be asked to perform on behalf of DGHL, over and above attending formal board and committee meetings. The remuneration committee of DGHL, consisting of disinterested directors, is mandated to determine the amount of such *ad hoc* remuneration to be paid to the non-executive directors. This approval mirrors the approval obtained from Distell Shareholders in relation to the Distell Directors at the Distell 2016 AGM and which will be sought from Distell Shareholders at the Distell 2017 AGM.

- 1.2.9.6 The Capevin Directors and the RCI Directors will, within 1 (one) month of the implementation of the Transaction, resign as directors of Capevin and RCI, respectively, whereafter they will no longer be entitled to receive remuneration in respect of their directorships of Capevin and RCI, respectively. The boards of Capevin and RCI will be reconstituted so as to be similar to the reconstituted board of Distell (as detailed in Section One Paragraph 1.2.3 of this Prospectus).

1.2.10 Borrowing powers of directors

- 1.2.10.1 DGHL's MOI does not provide for any restrictions on the borrowing powers that can be exercised by the DGHL Directors, nor have such powers been amended or varied since DGHL's incorporation.
- 1.2.10.2 In the circumstances, the Interim DGHL Directors have not exceeded their borrowing powers since DGHL's incorporation.
- 1.2.10.3 Extracts of DGHL's MOI, which include the provisions relating to amendments to DGHL's MOI, are provided in Annexure E to this Prospectus.

- 1.2.11 The business to be carried on by DGHL, namely an investment holding company, holding direct and indirect interests in Distell, will not be managed by a third party under contract or otherwise.
- 1.2.12 Directors interests in Securities
- As at the Last Practicable Date, no Interim DGHL Directors or Final DGHL Directors (or any of their associates) hold any direct or indirect beneficial interests in the share capital of DGHL or of Distell.
- 1.2.13 Directors' interests in contracts/transactions
- DGHL is a shelf company and, save as detailed in Section One Paragraph 1.7.2 in relation to material contracts, has not entered into any transactions since its incorporation, other than the Transaction. In the circumstances, neither the Interim DGHL Directors nor the Final DGHL Directors have, and have since incorporation of DGHL had, any direct or indirect beneficial interest in transactions entered into by DGHL.
- 1.2.14 Loans granted to management and directors
- As at the Last Practicable Date, no loans have been granted by DGHL to the Interim DGHL Directors nor to the Final DGHL Directors.
- 1.2.15 Directors' declarations
- In anticipation of the Listing of the Ordinary Shares, the required schedule 13 Director declarations have been made and signed by each of the Final DGHL Directors, in terms of which it is confirmed *inter alia* that none of the Final DGHL Directors have:
- 1.2.15.1 been adjudged bankrupt or insolvent, or entered into any individual voluntary compromise arrangement;
 - 1.2.15.2 been a director of a company that has proposed or adopted a business rescue plan and/or a resolution to commence business rescue proceedings or in respect of which application was made to commence business rescue proceedings, or in respect of which the board of such company has issued a notice in terms of section 129(7) of the Companies Act, or that has been placed in receivership, compulsory liquidation, creditor's voluntary liquidation, administration, under a company voluntary arrangement or entered into any compromise or arrangement with such company's creditors generally or any class of such company's creditors, during the period when he was (or within the preceding 12 (twelve) months had been) one of its directors;
 - 1.2.15.3 been a partner of a partnership that has been placed under compulsory liquidation, administration or partnership voluntary arrangements of such partnership, during the period when he was (or within the preceding 12 (twelve) months had been) one of its partners;
 - 1.2.15.4 had his assets placed under receivership, or been a partner of a partnership whose assets have been placed under receivership during the period when he was (or within the preceding 12 (twelve) months had been) one of its partners;
 - 1.2.15.5 been publically criticised by any statutory or regulatory authority, including recognised professional bodies, nor disqualified by a court from acting as a director of a company, or from acting in the management or conduct of the affairs of a company;
 - 1.2.15.6 been convicted of any offence involving dishonesty;
 - 1.2.15.7 been removed from an office of trust on grounds of misconduct and involving dishonesty;
 - 1.2.15.8 had any court grant an order declaring him to be a delinquent or placing him under probation in terms of section 162 of the Companies Act and/or section 47 of the Close Corporations Act, 1984 (Act 69 of 1984) or disqualifying him to act as a director in terms of section 219 of the Companies Act, 1973 (Act No 61 of 1973).
- 1.2.16 Code of Corporate Practice and Conduct
- 1.2.16.1 The corporate governance principles to be applied by DGHL, in support of the King Code, replicate those applied by Distell, and are set out in this Section One Paragraph 1.2.16 as read with Annexure J of this Prospectus.

1.2.16.2 Chief Executive Officer, Chairperson and Lead Independent Director

- 1.2.16.2.1 Upon implementation of the Transaction, the managing director of DGHL will be Mr RM Rushton and the chairperson of DGHL will be Mr JJ Durand.
- 1.2.16.2.2 The chairperson of the Distell Board, Mr JJ Durand, is not an independent non-executive director however, given his knowledge of the business and his extensive commercial experience, the Distell Directors deem this appointment appropriate and essential for achieving the business objectives of the Distell Group. The Distell Group is undergoing significant transformation and has ambitious expansion plans. In the circumstances, Mr JJ Durand's leadership of the Distell Board is vital in this phase of the evolution of the Distell Group.
- 1.2.16.2.3 In compliance with the King Code and the Listings Requirements, the Distell Board has appointed Mr AC Parker as lead independent director of Distell. The main function of the lead independent director is, *inter alia*, to provide leadership and advice to the board, without detracting from the authority of the chairperson, in circumstances where the chairperson has a conflict of interest.
- 1.2.16.2.4 The same position will apply in relation to DGHL following implementation of the Transaction, namely that Mr JJ Durand will be the chairperson (who is not independent) and Mr AC Parker will be the lead independent Director of DGHL.

1.2.16.3 Expertise and Experience of Directors

A brief curriculum vitae of each of the Final DGHL Directors is provided in Annexure H to this Prospectus.

1.2.16.4 Executive Financial Director

The audit committee of Distell considered and satisfied itself that Mr LC Verwey has the appropriate experience and expertise to fulfil his role as financial director of Distell. The audit committee of Distell will be replicated and appointed as the audit committee of DGHL, as more fully detailed in Section One Paragraph 1.2.17.1 below and Mr LC Verwey will be appointed as Financial Director of DGHL immediately once the Conditions Precedent have been fulfilled.

1.2.16.5 Company Secretary

- 1.2.16.5.1 As at the Last Practicable Date, DGHL's company secretary is Ms DI Heynes, who holds a National Certificate: N6 Legal Secretary qualification.
- 1.2.16.5.2 Immediately once the Transaction becomes unconditional, Ms DI Heynes will be replaced by Mrs L Malan who is, as at the Last Practicable Date, the company secretary of Distell.
- 1.2.16.5.3 Each Distell Director conducted an assessment of the eligibility, skills, knowledge and execution of duties of Mrs L Malan, who is a CA(SA), to perform the duties of company secretary in relation to Distell. Based on the outcome of such assessment, the Distell Directors were of the opinion that Mrs L Malan suitably fulfils the role of company secretary of Distell as she possesses the requisite competence and knowledge to carry out the duties of a secretary of a public company. The assessment also confirmed that the Distell Directors believe that Mrs L Malan is independent of the Distell Board and, accordingly, maintains an arm's length relationship with the Distell Board and the Distell Directors.
- 1.2.16.5.4 As indicated above, Mrs L Malan will be appointed as company secretary to DGHL simultaneously with the reconstitution of the DGHL Board as detailed in Section One Paragraph 1.2.3 of this Prospectus, after fulfilment or waiver, if applicable, of the Conditions Precedent to the Transaction.
- 1.2.16.5.5 The same independence and arm's length relationship between Mrs L Malan and the Final DGHL Board as exists in relation to Distell will be maintained in relation to DGHL.

1.2.17 As at the Last Practicable Date, DGHL has no board committees. However, the board committees in place in respect of Distell as at the Last Practicable Date will be replicated and appointed in respect of DGHL immediately once the Transaction becomes unconditional, subject to the adjustments detailed below following the resignation of Mrs L Mojela. The board committees of Distell as at the Last Practicable Date, which will be replicated in respect of DGHL, are as follows:

1.2.17.1 Audit Committee

The members of the Distell audit committee, who will be appointed to the DGHL audit committee, are Mrs C Sevillano-Barredo, Mrs GP Dingaan and Dr DP Du Plessis.

1.2.17.2 Remuneration Committee

The members of the Distell remuneration committee are currently Mr AC Parker, Mr JJ Durand and Mrs L Mojela. However, Mrs L Mojela has indicated that she will retire at the Distell 2017 AGM and, in the circumstances, the Distell Directors and Distell's nominations committee has approved the appointment of Mrs GP Dingaan to replace Mrs L Mojela on the remuneration committee. Thus, those who will serve on the DGHL remuneration committee, if the Transaction is implemented, are Mr AC Parker, Mr JJ Durand and Mrs GP Dingaan.

1.2.17.3 Social and Ethics Committee

The nomination committee of Distell has proposed that the social and ethics committee of Distell be reconstituted to consist of the following members, namely Mrs GP Dingaan (chairperson), Mrs BSM Backman, Dr DP Du Plessis, Mrs EG Matenge-Sebesho and Mr RM Rushton. Thus, those who will serve on the DGHL remuneration committee, if the Transaction is implemented, are Mrs GP Dingaan (chairperson), Mrs BSM Backman, Dr DP Du Plessis, Mrs EG Matenge-Sebesho and Mr RM Rushton. Representatives of executive management of Distell will be invited to committee meetings to present feedback as necessary.

1.2.17.4 Investment Sub-Committee

The members of the Distell investment sub-committee, who will be appointed to the DGHL investment sub-committee, are Mr P Beyers, Mrs G Dingaan, Mr JJ Durand, Mr C Otto, Mr AC Parker and Mrs C Sevillano-Barredo.

1.2.17.5 Risk and Compliance Committee

The members of the Distell risk and compliance committee, who will be appointed to the DGHL risk and compliance committee, are Dr DP Du Plessis (chairperson), Mrs GP Dingaan, Mr PR Louw, Mrs EG Matenge-Sebesho, Mrs CE Sevillano-Barredo and Mrs BSM Backman.

1.2.17.6 Nomination Committee

The members of the Distell nomination committee are currently Mr JJ Durand, Mrs L Mojela and Mr AC Parker. However, Mrs L Mojela has indicated that she will retire at the Distell 2017 AGM and, in the circumstances, the Distell Directors and Distell's nominations committee has approved the appointment of Mrs GP Dingaan to replace Mrs L Mojela on the nomination committee. Thus, those who will serve on the DGHL nomination committee, if the Transaction is implemented, are Mr JJ Durand, Mrs GP Dingaan and Mr AC Parker.

1.2.18 General

1.2.18.1 As at the Last Practicable Date, there are no prescribed officers of DGHL.

1.2.18.2 DGHL's:

1.2.18.2.1 auditors are PricewaterhouseCoopers Incorporated, with business address at Capital Place, 15-21 Neutron Avenue, Technopark, Stellenbosch, 7600;

1.2.18.2.2 legal advisers are Edward Nathan Sonnenbergs Incorporated, with business address at La Gratitude, 97 Dorp Street, Stellenbosch, 7600;

1.2.18.2.3 bankers are The Standard Bank of South Africa Limited, with business address at 20 Bird Street, Stellenbosch Central, Stellenbosch, 7600; and

- 1.2.18.2.4 company secretary is Ms DI Heynes, with business address at Millennia Park, 16 Stellantia Road, Stellenbosch. Upon implementation of the Transaction, DGHL's company secretary will be Mrs L Malan, with business address at Aan-de-Wagenweg, Stellenbosch, 7600. Further detail regarding the company secretary is given at Section One Paragraph 1.2.16.5 of this Prospectus.
- 1.2.19 DGHL does not have stockbrokers or underwriters.
- 1.2.20 Experts' Consents
- 1.2.20.1 The details of DGHL's legal advisers are set out in the section headed "*Corporate Information*" in this Prospectus. The consent letter by the legal advisers of DGHL, as contemplated in section 102(2) of the Companies Act, has been provided to CIPC and the JSE and is available for inspection as detailed in Section Four Paragraph 4.12 to this Prospectus. The consent granted in terms of such consent letter has not been withdrawn prior to the publication of this Prospectus.
- 1.2.20.2 The details of DGHL's JSE and transaction sponsor are set out in the section headed "*Corporate Information*" in this Prospectus. The consent letter by the JSE and transaction sponsor of DGHL, as contemplated in section 102(2) of the Companies Act, has been provided to CIPC and the JSE and is available for inspection as detailed in Section Four Paragraph 4.12 to this Prospectus. The consent granted in terms of such consent letter has not been withdrawn prior to the publication of this Prospectus.
- 1.2.20.3 The details of DGHL's banker are set out in the section headed "*Corporate Information*" in this Prospectus. The consent letter by the banker of DGHL, as contemplated in section 102(2) of the Companies Act, has been provided to CIPC and the JSE and is available for inspection as detailed in Section Four Paragraph 4.12 to this Prospectus. The consent granted in terms of such consent letter has not been withdrawn prior to the publication of this Prospectus.
- 1.2.20.4 The details of DGHL's transfer secretaries are set out in the section headed "*Corporate Information*" in this Prospectus. The consent letter by the transfer secretaries of DGHL, as contemplated in section 102(2) of the Companies Act, has been provided to CIPC and the JSE and is available for inspection as detailed in Section Four Paragraph 4.12 to this Prospectus. The consent granted in terms of such consent letter has not been withdrawn prior to the publication of this Prospectus.
- 1.2.20.5 The details of DGHL's independent reporting accountant are set out in the section headed "*Corporate Information*" in this Prospectus. The consent letter by the independent reporting accountant of DGHL, as contemplated in section 102(2) of the Companies Act, has been provided to CIPC and the JSE and is available for inspection as detailed in Section Four Paragraph 4.12 to this Prospectus. The consent granted in terms of such consent letter has not been withdrawn prior to the publication of this Prospectus.
- 1.2.21 As at the Last Practicable Date:
- 1.2.21.1 the Capevin Directors are:
- 1.2.21.1.1 CA Otto;
- 1.2.21.1.2 AE v Z Botha;
- 1.2.21.1.3 RM Jansen;
- 1.2.21.1.4 EG Matenge-Sebesho;
- 1.2.21.1.5 PR Louw; and
- 1.2.21.1.6 JJ Durand.
- 1.2.21.2 the RCI Directors are:
- 1.2.21.2.1 CA Otto;
- 1.2.21.2.2 AE v Z Botha;
- 1.2.21.2.3 NJ Williams;
- 1.2.21.2.4 JJ Durand;
- 1.2.21.2.5 RM Jansen;

- 1.2.21.2.6 PR Louw; and
- 1.2.21.2.7 EG Matenge-Sebesho.

1.3 **History, State of Affairs and Prospects of DGHL**

1.3.1 ***History of DGHL***

- 1.3.1.1 DGHL was incorporated in South Africa under the name Business Venture Investments No 1997 on 9 September 2016. DGHL has been a shelf company, not conducting any business, from the date of its incorporation until the Last Practicable Date. DGHL became a public company on 30 June 2017.
- 1.3.1.2 As at the Last Practicable Date:
 - 1.3.1.2.1 Remgro Beverages is DGHL's sole Shareholder. Like DGHL, Remgro Beverages is also a shelf company, and has been so from the date of its incorporation until the Last Practicable Date; and
 - 1.3.1.2.2 Remgro Limited is the sole shareholder of Remgro Beverages.

1.3.2 ***DGHL's Business***

- 1.3.2.1 Upon implementation of the Transaction, DGHL's only assets will be 100% (one hundred percent) of the Capevin Shares and 47.2% (forty seven point two percent) of the Distell Shares. Capevin's sole asset will, in turn, be 100% (one hundred percent) of the shares in RCI; and RCI's sole asset will be 52.8% (fifty two point eight percent) of the Distell Shares.
- 1.3.2.2 Both Capevin and RCI have, historically, served solely as vehicles for the holding of Distell Shares. In this regard, the shares in RCI held by Capevin are Capevin's sole asset, and the Distell Shares held by RCI are RCI's sole asset.
- 1.3.2.3 DGHL will serve primarily as an investment holding company, holding shares in Distell (directly and indirectly via Capevin and RCI).

1.3.3 ***Distell and Distell's Business***

- 1.3.3.1 Distell was created through the merger of Distillers Corporation (SA) Limited and Stellenbosch Farmers Winery Group Limited in 2001. Distell became a public company on 11 October 1988. There has been no material change in the business of Distell during the 3 (three) years preceding the Last Practicable Date.
- 1.3.3.2 Distell is a listed holding company which holds equity interests directly and indirectly in various operating companies in South Africa and abroad.
- 1.3.3.3 The Distell Group is South Africa and Africa's leading producer and marketer of wines, spirits, ciders and other ready-to-drink (RTD) beverages, sold across the world. With a diverse portfolio of brands with rich provenance and authenticity, its products are priced across the pricing continuum to cater to a broad spectrum of consumers.
- 1.3.3.4 Many of Distell's brands are household names to consumers in Africa and select international markets. These brands include Amarula, Hunter's, Klipdrift, Nederburg, Richelieu, Savanna and Viceroy, among others. Amarula is South Africa's most widely distributed international alcoholic beverage brand. Distell's wines are sold on every continent.
- 1.3.3.5 Further information relating to Distell is available in the Distell Circular, the Distell Financial Information and on Distell's website, www.distell.co.za.

1.3.4 ***Impact of the Transaction on Distell***

The Distell Directors have considered the impact of the Transaction on Distell and have concluded that none of Distell's material contracts will be affected.

1.3.5 ***Opinion of the Distell Independent Board and Capevin Independent Board***

- 1.3.5.1 The rationale proposed to the Capevin Independent Board, of which the Capevin Independent Board is in agreement in principle, is that, and the Distell Independent Board believes that, although the Transaction will provide the Remgro Group with specific rights regarding control of DGHL for the reasons detailed in Section Two Paragraph 2.3.11.3 of this Prospectus, the Transaction will nonetheless be beneficial to Distell, the Distell Minorities, Capevin and the Capevin Shareholders for the reasons detailed in Section Two Paragraph 2.3.5 to this Prospectus.

- 1.3.5.2 In relation to the prospects of DGHL and Distell, the opinions of the Distell Board (and the reasons for such opinions) are as follows:
- 1.3.5.2.1 The outlook for global economic growth remains lacklustre amid mounting economic and political uncertainty, and African gross domestic product (GDP) growth continues to be impacted by a commodity price slump. On the domestic front, competition is intensifying and growth is nearing recession levels as consumer confidence remains low and exchange rates remain volatile.
 - 1.3.5.2.2 The challenging trading conditions in many of Distell's markets are likely to persist for the remainder of 2017, and a modest recovery in economic growth in South Africa can only be expected in 2018.
 - 1.3.5.2.3 In the light of the prevailing economic conditions, the Distell Group is phasing the level of its investment in priority markets. However, the strength, appeal and diversity of Distell's brands, Distell's enhanced capacity to trade across a spectrum of markets and the security of Distell's financial position should allow Distell to continue pursuing its strategic ambitions.
 - 1.3.5.2.4 The various improvements made to Distell's business, since the Distell Board revised its strategy in 2014, have enabled Distell to become more resilient and better equipped to respond to an ever-changing global landscape. As part of this strategic journey, Distell has begun introducing a number of initiatives across the Distell Group which are aimed at building an agile and sustainable organisation. To support this, Distell has identified the following three key priorities, namely (i) focus on growth; (ii) improve productivity; and (iii) simplify the way it works. Implementing these priorities will allow Distell to respond more effectively to the changing macro environment.
 - 1.3.5.2.5 To ensure that Distell is able to address current market dynamics successfully, Distell is evaluating its operating model with a view to reducing its cost base and further enhancing efficiencies in the business as Distell continues to pursue growth domestically and in selected international markets. These measures and strategic priorities should result in an efficient and more focused business.
- 1.3.5.3 Scheme Participants are cautioned to have regard to the risk factors detailed in Section One Paragraph 1.3.6 and Annexure L of this Prospectus.

1.3.6 **Risk Factors**

- 1.3.6.1 Within the context of the strategy, business plans and business philosophy that will apply to the DGHL Group, the management of Distell have identified material issues and risks which they believe could impact the DGHL Group's ability to sustain future value and growth.
- 1.3.6.2 The directors and management of Distell believe that the material issues and risks detailed in Annexure L are those that will affect the performance and the longer-term viability of the DGHL Group and, therefore, also of DGHL.
- 1.3.6.3 If any of the risk factors detailed in this Prospectus or any other risks and uncertainties not known to the Distell Board at the time of Listing, or which the Distell Board currently believes are not material, materialise, then DGHL's business, financial condition and results of operations could be materially adversely affected. This may mean that the trading price of the Ordinary Shares could decline.

1.3.7 **State of Affairs**

- 1.3.7.1 DGHL is a recently formed, public company which has not traded and has no operating history. As at the Last Practicable Date, DGHL does not have any Subsidiaries. Detail of the share capital of DGHL is provided in Section One Paragraph 1.4.1 of this Prospectus.
- 1.3.7.2 As at the Last Practicable Date:
 - 1.3.7.2.1 Capevin is a listed investment company, solely conducting business through the indirect holding (via RCI) of Distell Shares. Capevin has 2 000 000 000 (two billion) authorised ordinary no par value shares,

of which 880 103 265 (eight hundred and eighty million one hundred and three thousand two hundred and sixty five) are in issue and listed on the JSE. Upon implementation of the Transaction, Capevin will become a wholly-owned subsidiary of DGHL;

1.3.7.2.2 RCI is an unlisted investment company, solely conducting business through the direct holding of Distell Shares. RCI has 100 (one hundred) authorised ordinary no par value shares, of which 100 (one hundred) are in issue and held by Remgro International and Capevin in equal parts (50 (fifty) each). Upon implementation of the Transaction, RCI will become a wholly-owned subsidiary of Capevin and, indirectly, also of DGHL; and

1.3.7.2.3 Distell is a listed holding company, holding shares in operating companies, as detailed in Section One Paragraph 1.3.3 of this Prospectus. Distell has 250 000 000 (two hundred and fifty million) authorised ordinary par value shares, of which 222 382 356 (two hundred and twenty two million three hundred and eighty two thousand three hundred and fifty six) are in issue and listed on the JSE. Upon implementation of the Transaction, Distell will become a wholly-owned subsidiary of DGHL (directly and indirectly via Capevin and RCI).

1.3.8 **Immovable Property**

As at the Last Practicable Date, DGHL does not own, occupy or lease any immovable property.

1.3.9 **Commitments to Purchase, Construct or Installation**

As at the Last Practicable Date, DGHL has no commitments for the purchase, construction or installation of buildings, plant or machinery.

1.3.10 **Financial Information**

1.3.10.1 DGHL is a recently formed company which has been dormant and has, save for the expenses incurred in respect of the Transaction as detailed in Section One Paragraph 1.13 below not traded since its incorporation on 9 September 2016. DGHL does not have any operating history or turnover and has never declared any dividends. The historical financial information of DGHL for the year ended 30 June 2017 is attached to this Prospectus as Annexure A and the Independent Reporting Accountant's report in respect of DGHL's aforesaid historical financial information is attached to this Prospectus as Annexure Ai.

1.3.10.2 In simplistic terms, the Schemes entail a swap by Capevin Shareholders and Distell Minorities of the Distell Shares for Ordinary Shares, with the result that Distell becomes a Subsidiary of RCI, which is a Subsidiary of Capevin, which is a Subsidiary of DGHL. The financial position of Capevin Shareholders and Distell Shareholders will, before and after, implementation of the Schemes (and the Transaction) be substantially similar, more particularly in that:

1.3.10.2.1 in relation to Distell Shareholders, such shareholders will retain their investment in Distell but will hold such investment through DGHL (with Capevin and RCI as intervening conduit vehicles through which such investment is held); and

1.3.10.2.2 in relation to Capevin Shareholders, such shareholders will retain their indirect investment in Distell but will hold such investment through DGHL (with Capevin and RCI as intervening conduit vehicles through which such investment is held).

1.3.11 Having regard to the above and the fact that DGHL is a shell which has never traded, DGHL will, after the Transaction has been implemented, effectively be a "mirror" of Distell save and except that Capevin and RCI will no longer be indirect and direct Distell Shareholders, respectively, but will be Subsidiaries of DGHL. The following historical financial information is provided with this Prospectus:

1.3.11.1 DGHL

The historical financial information of DGHL for the year ended 30 June 2017 is attached to this Prospectus as Annexure A and the Independent Reporting Accountant's report in respect of DGHL's aforesaid historical financial information is attached to this Prospectus as Annexure Ai.

1.3.11.2 DISTELL

- 1.3.11.2.1 Annexure B to this Prospectus contains the consolidated audited financial information of Distell for the 3 (three) years ended 30 June 2017, 30 June 2016 and 30 June 2015 prepared in accordance with IFRS.
- 1.3.11.2.2 Further historical financial information regarding Distell can be obtained from the Distell Circular and Distell's website www.distell.co.za.

1.3.11.3 CAPEVIN

- 1.3.11.3.1 Annexure C to this Prospectus contains the consolidated audited financial information of Capevin for the 3 (three) years ended 30 June 2017, 30 June 2016 and 30 June 2015 prepared in accordance with IFRS.
- 1.3.11.3.2 Further historical financial information regarding Capevin can be obtained from the Capevin Circular and Capevin's website www.capevin.com.

1.3.11.4 RCI

Annexure D to this Prospectus contains the historical financial information of RCI for the 3 (three) years ended 30 June 2017, 30 June 2016 and 30 June 2015 prepared in accordance with IFRS, and the Independent Reporting Accountant's report in respect of RCI's aforesaid financial information is attached to this Prospectus as Annexure Di.

1.3.12 Dividends and Distributions

- 1.3.12.1 Subject to the Companies Act, the Listings Requirements and DGHL's MOI, the DGHL Directors have absolute discretion as to the payment of any dividends, including interim dividends, on the Ordinary Shares. Any dividends will be paid in accordance with the laws of South Africa.
- 1.3.12.2 The B Shares are not entitled to participate in any dividends or distributions of DGHL, except if:
 - 1.3.12.2.1 the B Shares are repurchased by DGHL, in which event the B Shares are to be repurchased at their issue price, or
 - 1.3.12.2.2 DGHL is wound up, in which event the holders of the B Shares are entitled to be paid the issue price of the B Shares in priority to any winding-up payment or distribution being made to the holders of Ordinary Shares.
- 1.3.12.3 No dividend shall be declared or paid unless the DGHL Directors are satisfied on reasonable grounds that, immediately after payment of the dividend, the value of DGHL's assets will exceed its liabilities and DGHL will be able to pay its debts as they fall due.
- 1.3.12.4 No dividends have been declared by DGHL as at the Last Practicable Date.
- 1.3.12.5 As at the Last Practicable Date, no DGHL Shares are in issue with a fixed date on which entitlement to dividends arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.

1.4 Share Capital of DGHL

- 1.4.1 DGHL was incorporated with an authorised share capital of 5 000 (five thousand) Ordinary Shares. Since its incorporation, DGHL's authorised share capital has been amended by (i) the increase of its ordinary share capital to 20 000 000 000 (twenty billion) Ordinary Shares and (ii) the creation of 300 000 000 (three hundred million) B Shares. Save as aforesaid, there have been no alterations to DGHL's share capital since its incorporation.
- 1.4.2 Accordingly:
 - 1.4.2.1 there have been no consolidations of DGHL Shares since incorporation;
 - 1.4.2.2 no offers for Shares in DGHL were made to the public since incorporation;
 - 1.4.2.3 no share repurchases were undertaken by DGHL;

- 1.4.2.4 there have been no Shares issued by DGHL in terms of which an amount was payable by way of a premium;
- 1.4.2.5 the Directors, subject to the requisite Shareholders' and/or JSE approval, as the case may be, control the issue and disposal of authorised but unissued securities in DGHL; and
- 1.4.2.6 the Ordinary Shares will be listed on the main board of the JSE.
- 1.4.3 DGHL's share capital, prior to and post implementation of the Transaction, is and will be as follows:

Prior to implementation of the Transaction:

Authorised Ordinary Share Capital (excluding B Shares)	20 000 000 000
Issued Ordinary Share Capital (excluding B Shares)	1
Authorised B Share Capital	300 000 000
Issued B Share Capital	0

Post implementation of the Transaction:

Authorised Ordinary Share Capital (excluding B Shares)	20 000 000 000
Issued Ordinary Share Capital (excluding B Shares)	222 382 356
Authorised B Share Capital	300 000 000
Issued B Share Capital	124 226 613

- 1.4.4 As at the Last Practicable Date:
- 1.4.4.1 no Ordinary Shares are held in treasury;
- 1.4.4.2 346 048 (three hundred and forty six thousand and forty eight) Distell Shares are held in treasury by Distell Limited and 2 651 946 (two million six hundred and fifty one thousand nine hundred and forty six) Distell Shares are held in treasury by Distell Beverages (RF) Proprietary Limited. The Distell Shares which are held in treasury will be treated in the same manner in the Distell Scheme as all other Distell Shares, save that the holders of the Distell Shares held in treasury will not be entitled to vote in relation to the Distell Scheme. This means that, following implementation of the Transaction and based on the fact that 1 (one) Ordinary Share will be issued for every 1 (one) Distell Share in terms of the Distell Scheme (as detailed more fully in Section Two Paragraph 2.5.2.2), Distell Limited will be issued and will hold 346 048 (three hundred and forty six thousand and forty eight) Ordinary Shares and Distell Beverages (RF) Proprietary Limited will be issued and will hold 2 651 946 (two million six hundred and fifty one thousand nine hundred and forty six) Ordinary Shares in treasury after implementation of the Transaction.
- 1.4.5 Major and Controlling Shareholders
- 1.4.5.1 As at the Last Practicable Date, Remgro Beverages (a wholly-owned subsidiary of Remgro) holds 100% (one hundred percent) of the issued DGHL Shares.
- 1.4.5.2 Following implementation of the Transaction, the Shareholders of DGHL who will hold more than 5% (five percent) of the economic interests or voting rights, as the case may be, in DGHL will likely be:

	Economic Interests	Voting Rights
Remgro Beverages	31.4%	56.0%
PIC	31.3%	20.1%
Coronation ¹	9.1%	5.9%

Note 1: Representing clients of Coronation

- 1.4.5.3 As at the Last Practicable Date, the controlling Shareholder of DGHL is Remgro, via Remgro Beverages. There will be no change in the controlling shareholder of DGHL as a result of the Transaction and Remgro will continue to control DGHL via Remgro Beverages.

1.5 Options and Preferential Rights

There are no preferential conversion, redemption and/or exchange rights in respect of any of the Ordinary Shares or other securities of DGHL, nor are there any contracts, arrangements or proposed contracts or arrangements whereby any option or preferential right of any kind was or is proposed to be given to any person to subscribe for any Shares in DGHL.

1.6 Commissions Paid or Payable in respect of Underwriting

- 1.6.1 No commission or consideration has been paid by DGHL in respect of the allotment or issue of Shares since DGHL's incorporation. No commission was or shall be paid in respect of the allotment or issue of the Ordinary Shares to be issued in terms of this Prospectus.
- 1.6.2 No contract or arrangement has been concluded or is to be concluded whereby any option or preferential right of any kind was or is proposed to be given to any person to subscribe for any Shares in DGHL.

1.7 Material Contracts

- 1.7.1 As at the Last Practicable Date, DGHL has not entered into, and it is not proposed that it will enter into, any contracts relating to the DGHL Directors' and managerial remuneration, royalties, secretarial and technical fees or any agreement in terms of which any restraint payment will be payable by DGHL. Detail regarding the directors' remuneration in relation to DGHL is provided in Section One Paragraph 1.2.9 above.
- 1.7.2 Save as detailed below, DGHL has not, for the 2 (two) years preceding the Last Practicable Date, entered into any material contracts which are out of the ordinary course of business of DGHL, including any restrictive funding arrangements, which contains an obligation or settlement that is material to DGHL or the DGHL Group. The only material contract out of the ordinary course of business entered into by DGHL in the 2 (two) years preceding the Last Practicable Date is the agreement to propose and implement the Transaction, concluded with Distell and Capevin. In this regard DGHL, Distell and Capevin agreed on 21 June 2017 that, subject to the Conditions Precedent being met or waived, if applicable, and the required regulatory approvals being obtained, the Transaction would be proposed and implemented.

1.8 Interests of Directors and Promoters

- 1.8.1 None of the Interim DGHL Directors nor any of the Final DGHL Directors participated in the promotion of DGHL.
- 1.8.2 No amount has been paid to any Interim DGHL Director or Final DGHL Director or any company in which he is interested (directly or indirectly) or of which he is a director, or to any partnership, syndicate or other association in which he is a member, since incorporation of DGHL (whether in cash, securities or otherwise) by any person either to induce him to become or to qualify him as a director or otherwise for services rendered by him (or by the associated entity) in connection with the promotion or formation of DGHL.
- 1.8.3 No Interim DGHL Director or Final DGHL Director has any material beneficial interest, direct or indirect, in the promotion of DGHL, or in any assets acquired or to be acquired by DGHL through the Schemes of Arrangement or otherwise in the 3 (three) years preceding the Last Practicable Date and no amount has been paid during this period, or is proposed to be paid, to any such Director.

1.9 Loans

- 1.9.1 Advances, loan capital and borrowings
 - 1.9.1.1 No loans have been advanced to DGHL as at the date of this Prospectus.
 - 1.9.1.2 The borrowing powers of DGHL have not been exceeded since its incorporation. The borrowing powers of the Directors of DGHL are set out in Section One Paragraph 1.2.10.1 of this Prospectus.
 - 1.9.1.3 As at the Last Practicable Date, Remgro Beverages is indebted to DGHL in an amount of R1.00 (one Rand) in respect of the subscription price due for the Original Ordinary Share.
- 1.9.2 Loans receivable
 - 1.9.2.1 No loans have been made by DGHL as at the date of this Prospectus.

- 1.9.2.2 DGHL has not made any loans to or for the benefit of any Interim DGHL Director or Final DGHL Director, manager or any associate of any DGHL Director or Final DGHL Director or manager of DGHL.
- 1.9.3 Capital commitments and contingent liabilities
- 1.9.3.1 DGHL had no material commitments for capital expenditure outstanding at the Last Practicable Date.
- 1.9.3.2 DGHL has no contingent liabilities at the Last Practicable Date.
- 1.9.4 Subsidiary companies and inter-company loans
- As at the Last Practicable Date, DGHL does not have any Subsidiaries and has not made or received any inter-company loans.

1.10 Shares to be issued otherwise than for cash

No securities of DGHL have been issued, or agreed to be issued, within 3 (three) years immediately preceding the Last Practicable Date, to any person other than for cash.

1.11 Property acquired or to be acquired

DGHL has not acquired or disposed of any immovable or leasehold properties since DGHL's incorporation. DGHL has also not made any material acquisition of securities in another company since its incorporation.

1.12 Amounts paid or payable to promoters

No amount has been paid within the 3 (three) years immediately preceding the Last Practicable Date, or is payable, to any promotor, or to any partnership, syndicate or other association of which that promoter is or was a member in connection with the promotion of DGHL.

1.13 Preliminary expenses and issue expenses

The expenses incurred by DGHL in the 3 (three) years immediately preceding the Last Practicable Date, and the estimated amount of the preliminary expenses of DGHL relating to the Schemes and the Listing, inclusive of value-added tax, are R38 410 629 (thirty eight million four hundred and ten thousand six hundred and twenty nine), made up as follows:

	Rand
RMB advisory fee, including sponsor – RMB	R30 000 000
Legal advisers – ENS	R5 000 000
JSE listing fees	R2 317 100
JSE inspection fees (including name change)	R72 530
Printing and publishing costs	R900 999
Reporting accountant – PWC	R120 000
TOTAL	R38 410 629

1.14 Statement regarding Distell, Capevin and RCI

1.14.1 As at the Last Practicable Date, DGHL has no Subsidiaries. However, upon implementation of the Transaction, Capevin, RCI and Distell will become Subsidiaries of DGHL.

1.14.2 In the circumstances, the following statements are made in respect of Distell, Capevin and RCI, respectively:

1.14.2.1 In respect of Distell:

1.14.2.1.1 As at the Last Practicable Date:

1.14.2.1.1.1 The detail of the material immovable property owned by Distell is provided below. The Distell Group occupies a number of premises through various lease agreements, but none of these lease agreements are material in the context of Distell's business.

Description	Area (hectares/m²)	Title Deed number
SOUTH AFRICA		
EASTERN CAPE PROVINCE		
Erf 8113 Umtata Extension 29	3,4288 ha	T1627/2003
Erf 42242 East London	6,7194 ha	T6784/1995
FREE STATE PROVINCE		
Erf 15727 Bloemfontein	3,4355 ha	T19142/2008
GAUTENG PROVINCE		
Erf 16213 Pietersburg Ext 8	1,1668 ha	T258/2014
Remainder of Erf 266 Wadeville Extension 1	3,6960 ha	T1130/2009
Erf 265 Wadeville Extension 1	2,7092 ha	T1130/2009
Erf 728 Wadeville Extension 1	4,9445 ha	T1130/2009
Portion 16 of Erf 245 Nuffield Extension 4	8,4218 ha	T52792/2008
Remainder of Erf 2012 Phalaborwa Extension 5	5,2547 ha	T113407/1998
Portion 1 of Erf 2006 Phalaborwa Extension 5	4,2535 ha	T12164/2002
Remainder Portion 24 of Farm Roodekop 139 (Pretoria)	21,0691 ha	T34286/1989
Erf 92 Waltoo	1,2243 ha	T41589/1989
Erf 15 Uraniaville	8 416 m²	T42314/1993
ERF 2058 PHALABORWA EXT 5	1,5988 ha	T58493/2002
Erf 4511 Phalaborwa Extension 5	4,3270 ha	T88376/2001
KWA-ZULU NATAL PROVINCE		
Erf 129 New Germany	3 035 m²	T10636/2009
Erf 130 New Germany	1 012 m²	T10636/2009
Erf 1386 New Germany	4 047 m²	T10636/2009
Erf 126 New Germany	3,6422 ha	T10636/2009
Remainder of Erf 2379 Ladysmith Extension 10	7 314 m²	T18270/2009
Erf 303 Kuleka	1,4349 ha	T47475/2008
MPUMALANGA PROVINCE		
Erf 269 New Bethal East Extension 1	2,0594 ha	T17577/2008
NORTHERN CAPE PROVINCE		
Erf 3229 Kimberley	1,6793 ha	T2860/2008
Erf 1845 Upington	9 883 m²	T3560/2008
WESTERN CAPE PROVINCE		
Erf 6526 Wellington	14,3767 ha	T55053/2009
Erf 6399 Wellington	1,8405 ha	T55053/2009
Remainder of Erf 102520 Cape Town	1, 2863 ha	T64036/2009
Port 1 of The Farm Cape Rd No 1478 (Cape Town)	11,2817 ha	T6045/1999

Description	Area (hectares/m²)	Title Deed number
Remainder of the Farm Montac Number 599 (Worcester)	35,7512 ha	T64769/2008
Remainder of Erf 5316 George	1,8917 ha	T67757/2008
Remainder of Erf 20730 Paarl	3,4606 ha	T71396/2008
Remainder of Erf 5527 Paarl	1 059 m²	T71396/2008
Erf 6284 Stellenbosch	25,2740 ha	T80625/2008
Farm Number 1168 (Stellenbosch)	2,3844 ha	T80625/2008
Farm Number 1045 (Stellenbosch)	1,8758 ha	T80625/2008
Erf 48 New Brighton (Port Elizabeth)	7,3610 ha	T80627/2008
Erf 8706 Stellenbosch	62,0000 m²	T80625/2008
Remainder of the Farm Mon Repos Number 1147 (Stellenbosch)	11,5864 ha	T80626/2008
Erf 158501 Cape Town	6 000 m²	T106111/1998
Erf 3454 Stellenbosch	2 944 m²	T18689/1990
Erf 101510 Cape Town	11,3336 ha	T24936/1989
Erf 4 New Brighton	5,6177 ha	T24951/1989
Erf 257 Stellenbosch	6 929 m²	T24642/1989
Remainder Erf 4930 Paarl	1,2087 ha	T26927/1989
Erf 6154 Stellenbosch	1,0272 ha	T26928/1989
Remainder Portion 25 of the Farm The Old Drostdy Number 108 (Tulbagh)	3,2750 ha	T27189/1989
Portion 1 of the Farm Die Heuwel Number 171 (Tulbagh)	7,799 m²	T27189/1989
Remainder Erf 7602 Stellenbosch	7,1700 ha	T28931/1989
Remainder Farm Number 1261 (Stellenbosch)	3,6828 ha	T31251/1989
Erf 1825 Robertson	4 273 m²	T32802/1989
Remainder of the Farm Van Ryn Kelder Number 1273 (Stellenbosch)	5,7900 ha	T32802/1989
Remainder Erf 5243 Worcester	2,7580 ha	T50908/1989
Portion 1 of Farm De Oude Drostdy Number 180 (Tulbagh)	9 381 m²	T55262/1990
Remainder Erf 254 Stellenbosch	2 169 m²	T7092/2000
Erf 9545 Stellenbosch	4 524 m²	T7093/2000
Erf 18352 Worcester	3,8848 ha	T72979/2001
Remainder Portion 93 of the Farm Twee Fonteinen Number 319 (Worcester)	1,5831 ha	T73463/1993
Erf 4372 Robertson	1,3781 ha	T77695/1991
Remainder of the Farm Stellenvale Number 1017 (Stellenbosch)	23,4576 ha	T96577/1996
Farm Number 1271 (Stellenbosch)	21,2900 ha	T96577/1996
Erf 6092 Stellenbosch	1 827 m²	T36750/1987
Erf 4373 Robertson	4 671 m²	T23084/1990

Description	Area (hectares/m²)	Title Deed number
Portion 1 of the Farm Wolwekloof Number 966 (Paarl)	176,8439 ha	T2112/1980
Portion 5 of the Farm Wolwekloof Number 966 (Paarl)	145,8100 ha	T2158/1965
Farm Le Plaisir Merle Number 968 (Paarl)	593,0000 ha	T2158/1965
Remainder of the Farm Rachelsfontein Number 969 (Paarl)	84,3008 ha	T2158/1965
Remainder of Portion 2 of the Farm Le Plaisir Merle Number 949 (Paarl)	7,6253 ha	T26911/1989
Portion 3 of the Farm Le Plaisir Merle Number 949 (Paarl)	2 181 m²	T26911/1989
Remainder of Portion 1 of the Farm Vrede & Lust Number 950 (Paarl)	15,5451 ha	T26911/1989
Portion 8 of the Farm Vrede & Lust Number 950 (Paarl)	4,7333 ha	T32297/1980
Farm Number 1509 (Paarl)	54,1070 ha	T86155/1993
Remainder of the Farm No 1505 (Stellenbosch)	72,1822 ha	T96893/2007
Portion 2 of the Farm Number 1505 (Stellenbosch)	95,0838 ha	T96894/2007
Portion 2 of the Farm St Omer Number 604 (Paarl)	6,8165 ha	T10070/1963
Portion 4 of the Farm St Omer Number 604 (Paarl)	9,9517 ha	T10070/1963
Portion 5 of the Farm St Omer Number 604 (Paarl)	7,1923 ha	T10070/1963
Portion 8 of the Farm St Omer Number 604 (Paarl)	1,0269 ha	T11907/1963
Farm Number 607 (Paarl)	57,4847 ha	T11817/1966
Remainder of the Farm Uitkomst Number 608 (Paarl)	3,1488 ha	T11907/1963
Remainder of the Farm St Omer Number 597 (Paarl)	5,5601 ha	T12268/1965
Remainder of the Farm St Omer Number 604 (Paarl)	29,1426 ha	T12268/1965
Portion 1 of the Farm Uitkomst Number 608 (Paarl)	1,9904 ha	T12268/1965
Remainder of the Farm Nederburg Estates Number 613 (Paarl)	62,5478 ha	T12039/1967
Remainder of the Farm Fonternel Number 621 (Paarl)	11,1790 ha	T12268/1965
Portion 13 of Farm Number 612 (Paarl)	25.9433 ha	T24704/1995
Farm Number 605 (Paarl)	4,0596 ha	T967/1980
Farm Number 1330 (Paarl)	2 367 m²	T967/1980

Description	Area (hectares/m²)	Title Deed number
INTERNATIONAL		
UNITED KINGDOM		
1 A Milton Road, East Kilbride G74 1 PJ	11 397 m²	LAN65477
101 Carlisle Road, Airdrie ML6 8AG	9 279 m²	LAN66626
Deanston, Doune, Perthshire, FK 16 6AG		
Ledaig Distillery, Isle of Mull, Argyll, PA75 6NR	1 181 m²	N/A
Bunnahabhain Distillery, Port Askaig, Argyll, PA46 7RP	20 179 m² /14 512 m²	ARG5894
FRANCE		
90 Boulevard de Paris, Cognac	8 085 m²	Parcelle 592
58 Avenue du Maréchal Leclerc, Cognac	1 235 m²	Parcelle 61
109 Boulevard de Paris, Cognac	4 970 m²	Parcelle 643
AFRICA		
REPUBLIC OF ANGOLA		
Propery no 6587 –Viana	83 008 m²	G-Ap N -16
REPUBLIC OF NAMIBIA		
Erf 1108, Leo Oshapala Str, Oshakati Ext 3	2 044 m²	T6896/2002
Erf 2385, Okatana Rd, Portion erf 1397, Oshakati Ext 5	11 844 m²	T3197/2004
Erf 6398, Newcastle str, Portion erf 6593, Windhoek Ext 6	9 790 m²	T4597/2009
Erf 6408, Solingen str, Windhoek	12 253 m²	T930/1987
Erf 2957, Ovenstone str, Walvis Bay	13 337 m²	T7451/1994
Erf 244, 6th Avenue, Keetmanshoop	2 425 m²	T1307/1997
KINGDOM OF SWAZILAND		
Lot No. 223, Seventh Street, Matsapa, Manzini District, Swaziland	16 995m²	T145/1978

1.14.2.1.1.2 Distell holds interests in various companies, as detailed in the Distell Financial Information. The detail of Distell's material acquisitions and disposals in the 3 (three) years immediately preceding the Last Practicable Date can be obtained from Distell's historical financial information per Annexure B of this Prospectus, and which are available on Distell's website at www.distell.co.za under the following sections;

- 2015 per the financial information, note 33, Distell purchased a 26% (twenty six percent) stake in KWA Holding E.A. Limited (KHEAL) for a purchase consideration of R111,3 million (one hundred and eleven million three hundred thousand rand);
- 2016 per the financial results, there were no material acquisitions or disposals;
- 2017 per the financial information, note 33, Distell purchased an additional 26.4% (twenty six point four percent) of KWA Holdings E.A. Limited and a 75% (seventy five percent) stake of Imported Premium Vodka Company Limited;

- 1.14.2.1.1.3 Distell has no commitments for the purchase, construction or installation of buildings, plant or machinery;
- 1.14.2.1.1.4 Distell has not, for the 2 (two) years preceding the Last Practicable Date, entered into any material contracts which are out of the ordinary course of business of Distell, including any restrictive funding arrangements, which contains an obligation or settlement that is material to Distell or the Distell Group save and except for:
- 1.14.2.1.1.4.1 the agreement to propose and implement the Transaction, referred to in Section One Paragraph 1.7.2 above; and
- 1.14.2.1.1.4.2 the agreements concluded in July 2017 in relation to the acquisition by Distell International Holdings Limited (a wholly-owned subsidiary of Distell) of (i) 26% (twenty six percent) of Best Global Brands Limited (“BGB”), a holding company of a group which owns, manufactures and distributes the “Best” spirit brand in various countries throughout Africa, for US\$54.6 million (fifty four point six million Dollars) (“Phase 1 of the BGB Transaction”); and (ii) once the relevant hurdles are achieved and conditions precedent met, but no earlier than the end of 2019, the remaining 74% (seventy four percent) of BGB for a purchase price determined with reference to a 9.3 x multiple of BGB’s last 12 (twelve) months, after tax, operating performance (“Phase 2 of the BGB Transaction”), as announced on SENS on 28 July 2017. Phase 2 of the BGB Transaction will only be implemented if certain hurdles are met, which hurdles will be measured every 6 (six) months from 30 June 2019 to 30 June 2022 against agreed criteria relating *inter alia* to (i) volumes delivered by the Angola operations, (ii) externalisation of cash remittances to other group companies; and (iii) minimum group profitability margins being achieved. Phase 2 of the BGB Transaction is, in addition, subject to the following conditions precedent, namely (i) all required regulatory approvals being obtained, (ii) Distell concluding a successful equity capital raising or obtaining the necessary funding to settle the purchase consideration payable in respect of Phase 2 of the BGB Transaction, and (iii) no material adverse change having occurred in Angola or any other territory comprising more than 20% (twenty percent) of BGB’s turnover. The purchase consideration payable in respect of Phase 2 of the BGB Transaction is payable in 2 (two) tranches, with 65% (sixty five percent) payable upon closing of Phase 2 of the BGB Transaction and the remaining 35% (thirty five percent) being deferred subject to certain hurdles being met within the earlier of 3 (three) years of closing and 30 June 2023.

- 1.14.2.1.1.5 Distell has not entered into any contracts relating to directors' and managerial remuneration, royalties, secretarial and technical fees or any agreement in terms of which any restraint payment will be payable by Distell;
- 1.14.2.1.1.6 Distell's business is not managed by a third party under contract or otherwise; and
- 1.14.2.1.1.7 Distell has no commitment to incur capital expenditure nor any contingent liabilities;
- 1.14.2.1.2 In relation to the Distell Directors:
 - 1.14.2.1.2.1 the Distell Directors have, and have since 30 June 2017 had, no direct or indirect beneficial interest in any transactions entered into by Distell as at the Last Practicable Date; and
 - 1.14.2.1.2.2 no loans have been granted by Distell to any of the Distell Directors;
- 1.14.2.1.3 In relation to Distell's loans and borrowings:
 - 1.14.2.1.3.1 Distell's MOI does not provide for any restrictions on the borrowing powers that can be exercised by the Distell Directors. In the circumstances, Distell's Directors have not exceeded their borrowing powers for the 3 (three) year period immediately preceding the Last Practicable Date; and
 - 1.14.2.1.3.2 For detail regarding Distell's loans and borrowings, Scheme Participants are referred to Annexure B, note 13;
- 1.14.2.1.4 In relation to Distell's share capital, save in respect of the Distell Employee Scheme as detailed in Section Four Paragraph 4.2:
 - 1.14.2.1.4.1 there are no preferential conversion, redemption and/or exchange rights in respect of any of the shares or other securities of Distell;
 - 1.14.2.1.4.2 there are no contracts, arrangements or proposed contracts or arrangements whereby any option or preferential right of any kind was or is proposed to be given to any person to subscribe for any shares in Distell;
 - 1.14.2.1.4.3 no securities of Distell have been issued, or agreed to be issued, within 3 (three) years immediately preceding the Last Practicable Date, to any person other than for cash;
 - 1.14.2.1.4.4 no offers for the issue of Distell Shares were made within 3 (three) years immediately preceding the Last Practicable Date; and
 - 1.14.2.1.4.5 no share repurchases were undertaken by Distell within 3 (three) years immediately preceding the Last Practicable Date.
- 1.14.2.2 In respect of Capevin:
 - 1.14.2.2.1 Capevin has not conducted any business, other than the holding of its indirect interest of 52.8% (fifty two point eight percent) in Distell (through its 50% (fifty percent) direct holding in RCI), during the 3 (three) years preceding and including the Last Practicable Date, nor is it intended that, in future, Capevin will conduct any business other than a holding of indirect interests in Distell;

1.14.2.2.2 As at the Last Practicable Date:

1.14.2.2.2.1 Capevin does not own or lease any immovable property, nor has it in the 3 (three) years immediately preceding the Last Practicable date, disposed of any immovable property;

1.14.2.2.2.2 Capevin does not hold any securities in another company, other than the shares it holds in RCI, nor has it in the 3 (three) years immediately preceding the Last Practicable date, disposed of any securities which it held in another company save for the disposal of all the shares it held in Historiese Huise van Suid Africa Limited (registration number 1966/002641/06) to Eikenlust Proprietary Limited (registration number 1961/000682/07), a wholly-owned subsidiary of Remgro, for an aggregate purchase price of R1 650 000 (one million six hundred and fifty thousand rand) in the financial year ended 30 June 2016;

1.14.2.2.2.3 Capevin has no commitments for the purchase, construction or installation of buildings, plant or machinery;

1.14.2.2.2.4 Capevin has not, for the 2 (two) years preceding the Last Practicable Date, entered into any material contracts which are out of the ordinary course of business of Capevin, including any restrictive funding arrangements, which contains an obligation or settlement that is material to Capevin, other than the agreement to propose and implement the Transaction referred to in Section One Paragraph 1.7.2 above and the agreement relating to the RCI Exchange;

1.14.2.2.2.5 Capevin has not entered into any contracts relating to directors' and managerial remuneration, royalties, secretarial and technical fees or any agreement in terms of which any restraint payment will be payable by Capevin;

1.14.2.2.2.6 Capevin's business is not managed by a third party under contract or otherwise. Remgro Management Services Limited (registration number 1969/001100/06), a wholly-owned subsidiary of Remgro, renders certain secretarial and administrative services to Capevin, for which was paid an administrative fee of R1 049 135 (one million forty nine thousand one hundred and thirty five rands) (including VAT) for the financial year ended 30 June 2017; and

1.14.2.2.2.7 Capevin has no commitment to incur capital expenditure nor any contingent liabilities;

1.14.2.2.3 In relation to the Capevin Directors:

1.14.2.2.3.1 the Capevin Directors have, and have since 30 June 2017 had, no direct or indirect beneficial interest in any transactions entered into by Capevin as at the Last Practicable Date; and

1.14.2.2.3.2 no loans have been granted by Capevin to any of the Capevin Directors;

1.14.2.2.4 In relation to Capevin's loans and borrowings:

1.14.2.2.4.1 Capevin's MOI does not provide for any restrictions on the borrowing powers that can be exercised by the Capevin Directors. In the circumstances, Capevin Directors have not exceeded their borrowing powers for the 3 (three) year period immediately preceding the Last Practicable Date;

- 1.14.2.2.4.2 as at the Last Practicable Date, Capevin does not owe any third party (including DGHL, Distell and/or RCI) any amount in respect of any loans or borrowings taken out by it as reflected in Annexure C; and
- 1.14.2.2.5 In relation to Capevin's share capital:
 - 1.14.2.2.5.1 there are no preferential conversion, redemption and/or exchange rights in respect of any of the shares or other securities of Capevin as at the Last Practicable Date;
 - 1.14.2.2.5.2 there are no contracts, arrangements or proposed contracts or arrangements whereby any option or preferential right of any kind was or is proposed to be given to any person to subscribe for any shares in Capevin, as at the Last Practicable Date;
 - 1.14.2.2.5.3 save and except in respect of the RCI Exchange, no securities of Capevin have been issued, or agreed to be issued, within 3 (three) years immediately preceding the Last Practicable Date, to any person other than for cash;
 - 1.14.2.2.5.4 no offers for the issue of Capevin Shares were made within 3 (three) years immediately preceding the Last Practicable Date; and
 - 1.14.2.2.5.5 no share repurchases were undertaken by Capevin within 3 (three) years immediately preceding the Last Practicable Date.
- 1.14.2.3 In respect of RCI:
 - 1.14.2.3.1 RCI has not conducted any business, other than the holding of its direct interest of 52.8% (fifty two point eight percent) in Distell, during the 3 (three) years preceding and including the Last Practicable Date, nor is it intended that, in future, RCI will conduct any business other than a holding of direct interests in Distell;
 - 1.14.2.3.2 As at the Last Practicable Date:
 - 1.14.2.3.2.1 RCI does not own or lease any immovable property, nor has it in the 3 (three) years immediately preceding the Last Practicable date, disposed of any immovable property;
 - 1.14.2.3.2.2 RCI does not hold any securities in another company, other than the shares it holds in Distell, nor has it in the 3 (three) years immediately preceding the Last Practicable date, disposed of any securities which it held in another company;
 - 1.14.2.3.2.3 RCI has no commitments for the purchase, construction or installation of buildings, plant or machinery;
 - 1.14.2.3.2.4 RCI has not, for the 2 (two) years preceding the Last Practicable Date, entered into any material contracts which are out of the ordinary course of business of RCI, including any restrictive funding arrangements, which contains an obligation or settlement that is material to RCI;
 - 1.14.2.3.2.5 RCI has not entered into any contracts relating to directors' and managerial remuneration, royalties, secretarial and technical fees or any agreement in terms of which any restraint payment will be payable by RCI;
 - 1.14.2.3.2.6 RCI's business is not managed by a third party under contract or otherwise. Remgro Management Services Limited (registration number 1969/001100/06), a wholly-owned subsidiary of Remgro, renders certain secretarial and administrative services to RCI, but is not paid any fee for rendering these services to RCI; and

- 1.14.2.3.2.7 RCI has no commitment to incur capital expenditure nor any contingent liabilities;
- 1.14.2.3.3 In relation to the RCI Directors:
 - 1.14.2.3.3.1 the RCI Directors have, and have since 30 June 2017 had, no direct or indirect beneficial interest in any transactions entered into by RCI as at the Last Practicable Date; and
 - 1.14.2.3.3.2 no loans have been granted by RCI to any of the RCI Directors;
- 1.14.2.3.4 In relation to RCI's loans and borrowings:
 - 1.14.2.3.4.1 RCI's MOI does not provide for any restrictions on the borrowing powers that can be exercised by the RCI Directors. In the circumstances, RCI Directors have not exceeded their borrowing powers for the 3 (three) year period immediately preceding the Last Practicable Date;
 - 1.14.2.3.4.2 as at the Last Practicable Date, RCI does not owe any third party (including DGHL, Distell and/or Capevin) any amount in respect of any loans or borrowings taken out by it save and except for the 2 (two) unsecured, interest-free loans of R41 999 950 (forty one million nine hundred and ninety nine thousand nine hundred and fifty Rands) each advanced to RCI by Remgro International and Capevin in and during October 1979, as reflected in the RCI Financial Information per Annexure D note 4 and which will be settled prior to implementation of the Transaction in terms of the RCI Loan Settlement referred to in Section Two Paragraph 2.3.4;
 - 1.14.2.3.4.3 as at the Last Practicable Date RCI has no outstanding loans, advances or borrowings receivable by it from any third parties (including DGHL, Capevin and Distell); and
- 1.14.2.3.5 In relation to RCI's share capital, save in respect of the RCI Loan Settlement referred to in Section Two Paragraph 2.3.4:
 - 1.14.2.3.5.1 there are no preferential conversion, redemption and/or exchange rights in respect of any of the shares or other securities of RCI as at the Last Practicable Date;
 - 1.14.2.3.5.2 there are no contracts, arrangements or proposed contracts or arrangements whereby any option or preferential right of any kind was or is proposed to be given to any person to subscribe for any shares in RCI, as at the Last Practicable Date;
 - 1.14.2.3.5.3 no securities of RCI have been issued, or agreed to be issued, within 3 (three) years immediately preceding the Last Practicable Date, to any person other than for cash;
 - 1.14.2.3.5.4 no offers for the issue of shares in RCI were made within 3 (three) years immediately preceding the Last Practicable Date; and
 - 1.14.2.3.5.5 no share repurchases were undertaken by RCI within 3 (three) years immediately preceding the Last Practicable Date.

2. SECTION TWO – INFORMATION ABOUT THE OFFERED SECURITIES

2.1 Purpose of the offer

- 2.1.1 Distell currently has a multi-tiered ownership structure, in which Remgro International and Capevin hold a material interest via RCI. Remgro International and Capevin each hold 50% (fifty percent) of the shares in RCI, and RCI holds 52.8% (fifty two point eight percent) of the Distell Shares.
- 2.1.2 Remgro International also holds 19.0% (nineteen percent) of the Capevin Shares.
- 2.1.3 It is proposed that the multi-tiered shareholding structure of Distell be restructured and simplified through the Transaction. The Transaction will not entail the raising of any amount as contemplated in Regulation 70 and, effectively, amounts to a swapping of Distell Shares and Capevin Shares for Ordinary Shares in DGHL.
- 2.1.4 The purpose of this Prospectus is to:
 - 2.1.4.1 provide Distell Shareholders and Capevin Shareholders with information relating to DGHL, its proposed business, directors and management;
 - 2.1.4.2 provide Distell Shareholders and Capevin Shareholders with information relating to the DGHL SAR Scheme and the CSP Scheme;
 - 2.1.4.3 provide information regarding the issue by DGHL of 222 382 356 (two hundred and twenty two million three hundred and eighty two thousand three hundred and fifty six) Ordinary Shares to the Capevin Shareholders and the Distell Minorities and the issue by DGHL of 124 226 613 (one hundred and twenty four million two hundred and twenty six thousand six hundred and thirteen) B Shares to Remgro Beverages, pursuant to the implementation of the Transaction, including particularly the Schemes, and to bring about the Listing of such Ordinary Shares; and
 - 2.1.4.4 set out the salient features of the Ordinary Shares and the B Shares.

2.2 Time and date of the opening and of the closing of the offer

Scheme Participants are referred to the detail contained in Paragraph F of the executive summary to this Prospectus, which appears on page 14 of this Prospectus, for the salient dates and times applicable to the Transaction. Further detail can also be obtained in the Distell Circular and the Capevin Circular, respectively.

2.3 Particulars of the offer

2.3.1 *Intended Transaction*

The Transaction is intended to simplify the multi-tiered ownership structure of Distell and, effectively, amounts to a swapping of Distell Shares and Capevin Shares for Ordinary Shares in DGHL. A diagrammatic representation of Distell's ownership structure pre- and post- the Transaction is given below.

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graph TD; RI1[REMGRO INTERNATIONAL] -- 19.0% --> CAPEVIN; CM1[CAPEVIN MINORITIES¹] -- 45.9% --> CAPEVIN; PIC1[PIC] -- 12.5% --> CAPEVIN; CORONATION[CORONATION] -- 22.6% --> CAPEVIN; RI2[REMGRO INTERNATIONAL] -- 50.0% --> RCI; CAPEVIN -- 50.0% --> RCI; RCI -- 52.8% --> DISTELL; PIC2[PIC] -- 28.0% --> DISTELL; DM2[DISTELL MINORITIES²] -- 19.2% --> DISTELL;
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REMGRO INTERNATIONAL 19.0%

CAPEVIN MINORITIES¹ 45.9%

PIC 12.5%

CORONATION 22.6%

REMGRO INTERNATIONAL 50.0%

CAPEVIN 50.0%

RCI 52.8%

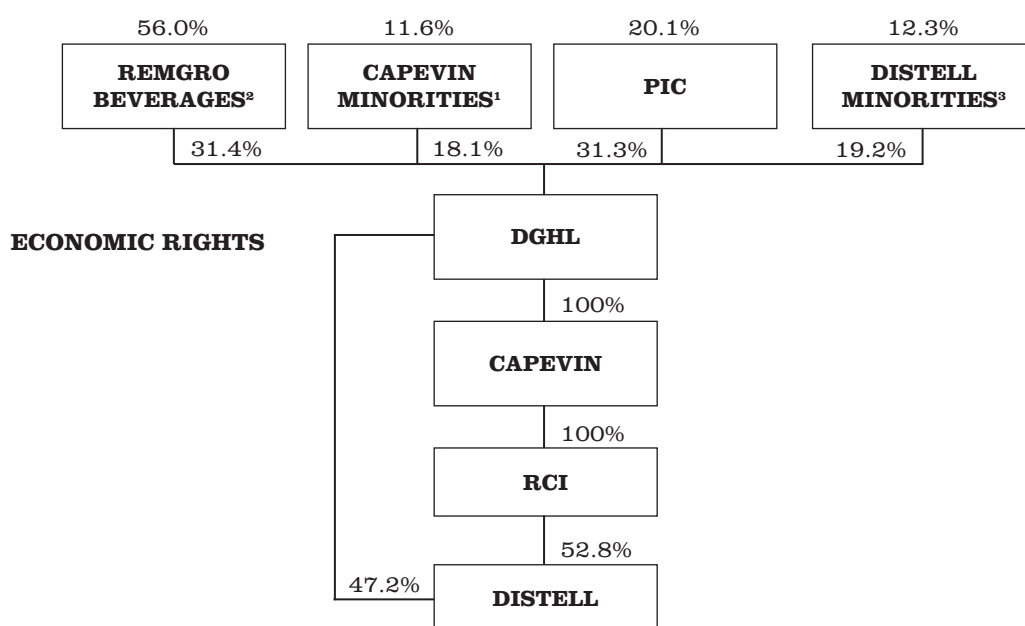
PIC 28.0%

DISTELL MINORITIES² 19.2%

DISTELL

1. Capevin minorities excludes PIC and includes Coronation.
2. Distell minorities excludes PIC and includes Coronation.

VOTING RIGHTS



1. Capevin minorities include a 6.0% (six point zero percent) economic interest and 3.8% (three point eight percent) voting interest held by Coronation.
2. The 56.0% (fifty six percent) voting interest and 31.4% (thirty one point four percent) economic interest held by Remgro Beverages includes the Linked Ordinary Shares as well as the Ordinary Shares that Remgro International will receive in exchange for its current 19.0% (nineteen percent) interest in Capevin, both of which will be transferred to Remgro Beverages in terms of the Remgro Exchange.
3. The term “Distell minorities” in the diagram above does not include PIC.
4. The Distell minorities excludes PIC but includes a 3.2% economic interest and a 2.0% voting interest held by Coronation.

2.3.2.1 The Ordinary Shares will be listed on the JSE;

- 2.3.2.2 In terms of the B Share Issuance, DGHL will issue 124 226 613 (one hundred and twenty four million two hundred and twenty six thousand six hundred and thirteen) B Shares to Remgro Beverages for an issue price of R0.00001 (zero point zero zero zero zero one Rand) per B Share;
- 2.3.2.3 In terms of the RCI Exchange, Capevin will issue further Capevin Shares to Remgro International (being the RCI-Related Capevin Shares) and Remgro International will settle its obligation to pay the issue price in respect of such shares through the transfer to Capevin of Remgro International's 50% (fifty percent) shareholding in RCI;
- 2.3.2.4 In terms of the Capevin Scheme, DGHL will issue 117 348 000 (one hundred and seventeen million three hundred and forty eight thousand) Ordinary Shares to the Capevin Shareholders and the Capevin Shareholders will settle their obligation to pay the issue price in respect of such Ordinary Shares through the delivery and transfer to DGHL of their Capevin Shares, by way of a Scheme of Arrangement;
- 2.3.2.5 In terms of the Remgro Exchange, Remgro Beverages will issue further shares in Remgro Beverages to Remgro International and Remgro International will settle its obligation to pay the issue price in respect of such shares through the delivery and transfer to Remgro Beverages of the Ordinary Shares in DGHL (being the RCI-Related Ordinary Shares and the Non-RCI Related Capevin Shares) held by Remgro International;
- 2.3.2.6 In terms of the Distell Scheme, DGHL will issue 105 034 356 (one hundred and five million thirty four thousand and three hundred and fifty six) Ordinary Shares to the Distell Minorities and the Distell Minorities will settle their obligation to pay the issue price in respect of such Ordinary Shares through the delivery and transfer to DGHL of their Distell Shares, by way of a Scheme of Arrangement (the Distell Scheme);
- 2.3.2.7 Capevin and Distell will be delisted; and
- 2.3.2.8 DGHL will repurchase the Original Ordinary Share held by Remgro Beverages for a repurchase price of R1.00 (one Rand),
- (each a “**Transaction Step**,” and together the “**Transaction**”).
- 2.3.3 DGHL has, as at the Last Practicable Date, not issued any shares (whether at a premium or otherwise) other than the issue of the Original Ordinary Share to Remgro Beverages for a subscription price of R1.00 (one Rand).
- 2.3.4 In relation to the RCI Loan Settlement, it is noted that:
- 2.3.4.1 As at the Last Practicable Date, each of Remgro International and Capevin have a shareholder loan claim against RCI in an amount of R41 999 950 (forty one million nine hundred and ninety nine thousand nine hundred and fifty Rands), which together amounts to R83 999 900 (eighty three million nine hundred and ninety thousand nine hundred Rands). These shareholder loans are unsecured, interest free and have no fixed repayment terms. The amount and terms of the Remgro International shareholder loan claim and the Capevin shareholder loan claim, respectively, against RCI are identical.
- 2.3.4.2 In order to ensure that DGHL is effectively a mirror image of Distell following implementation of the Transaction, the RCI Loan Settlement will be implemented. In terms of the RCI Loan Settlement, RCI will utilise the dividends it receives from Distell in respect of the financial year ended 2017 to repay Remgro International and Capevin the shareholder loan claims which Remgro International and Capevin have against RCI as detailed above.
- 2.3.5 **Rationale for the Transaction**
- The rationale proposed to the Capevin Independent Board, of which the Capevin Independent Board is in agreement in principle, is that, and the Distell Independent Board believes that, although the Transaction will provide the Remgro Group with specific rights regarding control of DGHL for the reasons detailed in Section Two Paragraph 2.3.11.3, the Transaction will nonetheless be beneficial to Distell, the Distell Minorities, Capevin and the Capevin Shareholders, respectively, as it will, *inter alia*:
- 2.3.5.1 result in the elimination of the current multi-tiered ownership structure of Distell, leaving a single entry point to investing in Distell (namely DGHL);
- 2.3.5.2 likely unlock value for Capevin Shareholders by eliminating all or part of the historical trading discount evident between the Capevin share price and the see-through value of Capevin's interest in Distell;

- 2.3.5.3 likely improve the demand, liquidity and marketability of the Ordinary Shares, by comparison to the equivalent for Distell and Capevin;
- 2.3.5.4 result in an increased free float of Ordinary Shares, which should enhance the weighting thereof in stock market indices both on the JSE and internationally;
- 2.3.5.5 simplify Distell's capital structure and thereby likely improve Distell's investment appeal to both foreign and local investors;
- 2.3.5.6 simplify DGHL's ability to raise capital, should it need to do so to support Distell's long-term growth strategy; and
- 2.3.5.7 retain the stability and continuity which follows as a result of the Remgro Group remaining as an anchor shareholder of DGHL.

2.3.6 **Conditions Precedent**

- 2.3.6.1 The Transaction is subject to the fulfilment or, if applicable, waiver of the following Conditions Precedent, namely:
 - 2.3.6.1.1 Capevin Shareholders holding 75% (seventy five percent) or more of the voting rights of Capevin which are exercised on the resolution, approving the issue of the RCI-Related Capevin Shares to Remgro International pursuant to the RCI Exchange in terms of section 41(3) of the Companies Act;
 - 2.3.6.1.2 Capevin Shareholders holding 75% (seventy five percent) or more of the voting rights of Capevin which are exercised on the resolution, approving the Capevin Scheme;
 - 2.3.6.1.3 the Waiver Resolution in terms of Regulation 86(4) being approved by Capevin Minorities holding more than 50% (fifty percent) of the voting rights of such Capevin Minorities, in terms of which such Capevin Minorities waive the benefit of receiving a Mandatory Offer from Remgro International in terms of section 123 of the Companies Act;
 - 2.3.6.1.4 in respect of the Capevin Shareholder Appraisal Rights, no Valid Demands are received by Capevin, or if any Valid Demands are received by Capevin, such Valid Demands are received from Capevin Dissenting Shareholders who, in aggregate, hold less than 5% (five percent) of the aggregate Capevin Shares in issue as at the Last Practicable Date;
 - 2.3.6.1.5 Distell Shareholders holding 75% (seventy five percent) or more of the voting rights of Distell which are exercised on the resolution, approving the Distell Scheme;
 - 2.3.6.1.6 the Waiver Resolution in terms of Regulation 86(4) being approved by Distell Minorities holding more than 50% (fifty percent) of the voting rights of such Distell Minorities, in terms of which such Distell Minorities waive the benefit of receiving a Mandatory Offer from Remgro International in terms of section 123 of the Companies Act;
 - 2.3.6.1.7 in respect of the Distell Shareholder Appraisal Rights, no Valid Demands are received by Distell, or if any Valid Demands are received by Distell, such Valid Demands are received from Distell Dissenting Shareholders who, in aggregate, hold less than 5% (five percent) of the aggregate Distell Shares in issue as at the Last Practicable Date;
 - 2.3.6.1.8 the South African Competition Authorities approving the implementation of the RCI Exchange;
 - 2.3.6.1.9 the Foreign Competition Authorities approving the implementation of the RCI Exchange; and
 - 2.3.6.1.10 the TRP approving the Waiver Exemption and issuing a compliance certificate to Distell in respect of the Distell Scheme and Capevin in respect of the Capevin Scheme;

(collectively, the "**Conditions Precedent**").
- 2.3.6.2 Unless all the Conditions Precedent are fulfilled or waived, if appropriate, the Transaction will not proceed.

- 2.3.6.3 The Conditions Precedent must be fulfilled or waived, if applicable, on or before Monday, 29 January 2018 (unless this date is extended by agreement between DGHL, Distell and Capevin to allow for any outstanding regulatory approval(s), failing which the Transaction will not proceed.
- 2.3.6.4 None of the Conditions Precedent can be waived, except for (i) the Condition Precedent detailed in Section Two Paragraph 2.3.6.1.4 relating to receipt by Capevin of no Valid Demands from Capevin Dissenting Shareholders or of Valid Demands from Capevin Dissenting Shareholders holding in aggregate less than 5% (five percent) of the Capevin Shares in issue as at the Last Practicable Date, which may be waived by agreement between DGHL, Distell and Capevin, (ii) the Condition Precedent detailed in Section Two Paragraph 2.3.6.1.7 relating to receipt by Distell of no Valid Demands from Distell Dissenting Shareholders or of Valid Demands from Distell Dissenting Shareholders holding in aggregate less than 5% (five percent) of the Distell Shares in issue as at the Last Practicable Date, which may be waived by agreement between DGHL, Distell and Capevin, and (iii) the Condition Precedent detailed in Section Two Paragraph 2.3.6.1.9 relating to the approval of the Transaction by the Foreign Competition Authorities, which may be waived by agreement between Distell, Capevin and DGHL.

2.3.7 **Regulatory Approvals**

Save for (i) the approval of the South African Competition Authorities and Foreign Competition Authorities being obtained and (ii) the TRP granting the TRP Waiver Ruling and issuing a TRP compliance certificate in respect of the Capevin Scheme and Distell Scheme, respectively, all requisite regulatory approvals regarding the Schemes and the issue and Listing of the Ordinary Shares, including SARB approval, have been obtained. In this regard:

- 2.3.7.1 the issue of the Distell Circular to the Distell Shareholders in respect of the Distell Scheme was approved by the TRP on Thursday, 14 September 2017 and the JSE on Monday 18 September 2017;
- 2.3.7.2 the issue of the Capevin Circular to the Capevin Shareholders in respect of the Capevin Scheme and the RCI Exchange was approved by the TRP on Thursday, 14 September 2017 and the JSE on Monday, 18 September 2017;
- 2.3.7.3 CIPC registered this Prospectus on Friday, 15 September 2017 and the issue of this Prospectus by DGHL was approved by the JSE on Monday, 18 September 2017; and
- 2.3.7.4 the Listing of the Ordinary Shares was approved by the JSE on Monday, 18 September 2017.

2.3.8 **Applicable law**

The Transaction, including the Schemes, will be exclusively governed by the laws of South Africa.

2.3.9 **Authorisations**

- 2.3.9.1 The Interim DGHL Directors approved the entry into and implementation of the Transaction, subject to the fulfilment of the Conditions Precedent, on 21 June 2017.
- 2.3.9.2 Remgro Beverages, as sole shareholder of DGHL as at the Last Practicable Date, approved the entry into and implementation of the Transaction, subject to the fulfilment of the Conditions Precedent, on 13 September 2017.

2.3.10 **Salient preferences, rights, limitations and other terms attaching to the Ordinary Shares**

- 2.3.10.1 The Ordinary Shares are non-convertible, no par value shares, which rank *pari passu* with one another and which have the preferences, rights, limitations and other terms as detailed in DGHL's MOI, extracts of which are provided in Annexure E to this Prospectus.
- 2.3.10.2 There are no restrictions as to the transferability, and no prohibitions on the disposal, of the Ordinary Shares. Regard should be had to the B Share Terms which detail the consequences which will follow if Linked Ordinary Shares and/or B Shares are not transferred in accordance with the provisions of the B Share Terms.

- 2.3.10.3 If the Transaction is implemented, the Ordinary Shares will be listed on the main board of the JSE.
- 2.3.10.4 The Ordinary Shares will afford Scheme Participants the same economic interest and participation in Distell, via DGHL, as such participants held prior to implementation of the Transaction. The Distell Minorities' voting rights and the Capevin Minorities' indirect voting rights in relation to Distell will, however, be diluted. The table below contains an illustrative example of the effect of such dilution, namely a Distell Shareholder's shareholding and voting rights, and a Capevin Shareholder's shareholding and voting rights, in Distell pre- and post- the Transaction:
- | Distell Shareholder's direct interest in Distell and DGHL | Before | After |
|--|---------------|--------------|
| Direct economic interest in Distell/DGHL | 5.00% | 5.00% |
| Direct voting interest in Distell/DGHL | 5.00% | 3.21% |
-
- | Capevin Shareholder's indirect interest in Distell and direct interest in DGHL | Before | After |
|---|---------------|--------------|
| Direct interest in Capevin | 5.00% | – |
| Indirect/direct economic interest in Distell/DGHL | 1.32% | 1.32% |
| Indirect/direct voting interest in Distell/DGHL | – | 0.85% |
- 2.3.10.5 Section One Paragraph 1.3.12 of this Prospectus provides detail regarding dividends and distributions which may be paid or distributed by DGHL in relation to the Ordinary Shares.
- 2.3.10.6 Each Ordinary Share will entitle the holder thereof to 1 (one) vote per Ordinary Share.
- 2.3.10.7 Pre-emptive rights apply in respect of the issue of Ordinary Shares, subject to the terms and conditions of DGHL's MOI.
- 2.3.10.8 The extracts of the MOI of DGHL provided in Annexure E to this Prospectus sets out the requirements to amend DGHL's MOI, including the preferences, rights, limitations and other terms attaching to the Ordinary Shares.

2.3.11 Salient preferences, rights, limitations and other terms attaching to B Shares

- 2.3.11.1 The B Shares are unlisted, non-convertible, no par value shares which have the preferences, rights, limitations and other terms as summarised below and detailed in full in the B Share Terms attached to this Prospectus as Annexure F. Annexure G contains a tabular-form summary of the B Share Terms.
- 2.3.11.2 The B Shares will be issued to Remgro Beverages, on a once-off basis, in the B Share Ratio, namely 2.117 (two point one one seven) B Shares for every 1 (one) RCI-Related Ordinary Share held by Remgro Beverages. In this regard:
- 2.3.11.2.1 The RCI-Related Ordinary Shares are 58 674 000 (fifty eight million six hundred and seventy four thousand) Ordinary Shares in DGHL which will be issued to Remgro International in terms of the Capevin Scheme, in exchange for Remgro International's RCI-Related Capevin Shares. The RCI-Related Ordinary Shares will, subsequent to their issue to Remgro International, be transferred to Remgro Beverages in terms of the Remgro Exchange.
- 2.3.11.2.2 Having regard to the number of RCI-Related Ordinary Shares which are to be issued by DGHL in terms of the Capevin Scheme and applying the B Share Ratio, this equates to 124 226 613 (one hundred and twenty four million two hundred and twenty six thousand six hundred and thirteen) B Shares which will be issued by DGHL to Remgro Beverages.
- 2.3.11.3 The B Shares will be issued to Remgro Beverages in order to maintain the 52.8% (fifty two point eight percent) voting rights in Distell which the Remgro Group will hold pursuant to the implementation of the RCI Exchange. The B Shares alone (excluding the Ordinary Shares which will be held by Remgro Beverages) will afford Remgro Beverages 35.8% (thirty five point eight percent) voting rights in DGHL. The B Shares are only entitled to voting rights and have no right to any economic participation in DGHL save for the right, if repurchased, to be repurchased at their issue price and the right, upon liquidation of DGHL, for the

B Shareholders to be paid the issue price of the B Shares before any liquidation payment or distribution is made to the Ordinary Shareholders of DGHL. Other than as detailed above, the B Shares are not entitled to share in any dividends or distributions by DGHL.

- 2.3.11.4 In the circumstances, the B Share Issuance does not lead to any economic dilution for the Distell Minorities or the Capevin Minorities.
- 2.3.11.5 The B Shares will be issued to Remgro Beverages at an issue price of R0.00001 (zero point zero zero zero zero one Rand) per B Share. The aggregate issue price for the 124 226 613 (one hundred and twenty four million two hundred and twenty six thousand six hundred and thirteen) B Shares which will be issued by DGHL to Remgro Beverages in terms of the B Share Issuance is, in the circumstances, an amount of R1 242.27 (one thousand two hundred and forty two Rands twenty seven cents).
- 2.3.11.6 The B Shares will be linked to certain Ordinary Shares (referred to as “Linked Ordinary Shares”) by virtue of the provisions of DGHL’s MOI (including the B Share Terms). Shareholders should note that while the transfer of Ordinary Shares must, in the ordinary course, be effected on-market (in other words, through the JSE’s order book), the transfer of Linked Ordinary Shares should be effected off-market (in other words, not through the JSE’s order book). If a transfer of Linked Ordinary Shares is effected on-market, the voting rights attaching to the relevant B Shares which are linked to such Linked Ordinary Shares will immediately lapse and be of no further force and effect.
- 2.3.11.7 In addition, the B Share Terms provide for the immediate cessation of the voting rights attaching to the relevant B Shares, and an option in favour of DGHL to repurchase the relevant B Shares at their issue price, upon the happening of certain further events, namely:
 - 2.3.11.7.1 any disposal and/or transfer of B Shares without the relevant B Shareholder giving prior written notice to DGHL’s company secretary;
 - 2.3.11.7.2 any disposal and/or transfer of B Shares without the accompanying Linked Ordinary Shares simultaneously being disposed of;
 - 2.3.11.7.3 any disposal and/or transfer of Linked Ordinary Shares which is effected on-market (i.e. via the JSE’s normal order book);
 - 2.3.11.7.4 if, at any time, there is no B Shareholder (whether individually or together persons who may be related to and/or concert parties with a B Shareholder) which holds more than 25% (twenty five percent) of the Total Voting Rights;
 - 2.3.11.7.5 if, at any time, a particular B Shareholder (together with such B Shareholder’s related and concert parties) ceases to hold more than 25% (twenty five percent) of the Total Voting Rights; and
 - 2.3.11.7.6 if a transferee, as contemplated in Section Two Paragraph 2.3.11.8 of this Prospectus, does not make an offer to purchase all the Ordinary Shares held by the Ordinary Shareholders *mutatis mutandis* in accordance with section 123 of the Companies Act in the circumstances contemplated in Section Two Paragraph 2.3.11.8 of this Prospectus, (collectively, the “**Option Events**”).
- 2.3.11.8 If, as a result of the disposal and/or transfer of any B Shares together with their accompanying Linked Ordinary Shares, the transferor and the transferee (together with any other Shareholders related to or acting in concert with the transferor and transferee, respectively) each hold more than 25% (twenty five percent) of the Total Voting Rights, the transferee is entitled to offer to purchase all the Ordinary Shares in DGHL held by the Ordinary Shareholders of DGHL *mutatis mutandis* in accordance with section 123 of the Companies Act. The transferee’s failure to make such an offer constitutes an Option Event. Where an offer to the Ordinary Shareholders (the minorities) is triggered, the full consideration payable to the B Shareholders in terms of the transaction which triggers this offer will be attributed to the Linked Ordinary Shares and no value will be attributed to the B Shares.
- 2.3.11.9 If DGHL undertakes an alteration of its capital structure or a corporate action, which impacts the voting rights exercisable by the B Shareholders in relation

to the Total Voting Rights (referred to as an 'Adjustment Event' in the B Share Terms), the number of B Shares held by the B Shareholders and, if necessary, also the number of Linked Ordinary Shares, shall be increased or decreased, as the case may be, to maintain the position of the B Shareholders as regards their voting rights in relation to the Total Voting Rights after the Adjustment Event, as was the position prior to such Adjustment Event. In this regard:

- 2.3.11.9.1 If, for example, the Adjustment Event is a renounceable rights issue of Ordinary Shares in DGHL in which the B Shareholders elect to follow their rights in respect of their Linked Ordinary Shares, further B Shares will be issued to the B Shareholders so as to ensure that they are able to exercise the same proportion of the Total Voting Rights after the Adjustment Event as they were able to exercise before the Adjustment Event. This is to prevent any unwarranted dilution of the B Shareholders' voting rights. Similarly, if there is any alteration to the capital structure of DGHL which has a dilutionary effect on the voting rights of the B Shareholders, such as a share split or a capital distribution, further B Shares will be issued to the B Shareholders so as to ensure that they are able to exercise the same proportion of the Total Voting Rights after the relevant Adjustment Event as they were able to exercise before the relevant Adjustment Event;
- 2.3.11.9.2 If, for example, the Adjustment Event is a consolidation of the Ordinary Shares or similar alteration of the capital structure of DGHL which has an accretion effect on the voting rights which the B Shareholders can exercise, the number of B Shares held by the B Shareholders will be reduced, so as to ensure that the B Shareholders are able to exercise the same proportion of the Total Voting Rights after the relevant Adjustment Event as they were able to exercise before the relevant Adjustment Event. This is to prevent any unwarranted accretion of the B Shareholders' voting rights in DGHL;
- 2.3.11.9.3 If a B Shareholder increases its interests in DGHL through the purchase of Ordinary Shares (and not through an Adjustment Event, such as a rights offer for example), no Adjustment Event will have occurred and, therefore, no further B Shares will be issued to such B Shareholder as a result of such purchase;
- 2.3.11.9.4 Any Adjustment Event which requires an increase in the number of B Shares held by the B Shareholders will be effected by way of an allotment and issue to the B Shareholders of the requisite number of B Shares at an issue price of R0.00001 (zero point zero zero zero zero one Rand) per B Share;
- 2.3.11.9.5 Any Adjustment Event which requires a reduction in the number of B Shares held by the B Shareholders will be effected by way of a repurchase of the relevant number of B Shares by DGHL, in accordance with the provisions of the Companies Act and the Listings Requirements, for a repurchase price equal to the issue price of each B Share, namely R0.00001 (zero point zero zero zero zero one Rand); and
- 2.3.11.9.6 The following will not constitute Adjustment Events and will not result in an increase or decrease of the number of B Shares held by the B Shareholders and, in the circumstances, the B Shareholders will be diluted as a consequence of the occurrence of any of the following events, namely:
 - 2.3.11.9.6.1 an issue of Ordinary Shares in respect of which Ordinary Shareholders (including B Shareholders, as holders of Linked Ordinary Shares) are not entitled to participate, such as the issue of Ordinary Shares under a share incentive scheme;
 - 2.3.11.9.6.2 a rights issue in respect of Ordinary Shares where the B Shareholders do not follow their rights in respect of their Linked Ordinary Shares;
 - 2.3.11.9.6.3 an issue of Ordinary Shares pursuant to an acquisition;
 - 2.3.11.9.6.4 a vendor consideration placing of Ordinary Shares;

2.3.11.9.6.5 an issue of Ordinary Shares for cash or for the extinction of any liability, obligation, expense or commitment; or

2.3.11.9.6.6 an amalgamation or merger in accordance with the provisions of section 113 of the Companies Act.

2.3.11.10 The detailed B Share Terms are set out in Annexure F to this Prospectus and a tabular summary of the B Share Terms are set out in Annexure G to this Prospectus.

2.3.12 **Tax Implications of the Transaction on Scheme Participants**

The following summary is provided for information purposes only. It is therefore not comprehensive and should not be construed as advice (refer to Section Four Paragraph 4.5 of this Prospectus).

2.3.12.1 The disposal and acquisition of Ordinary Shares by Scheme Participants in terms of the RCI Exchange, the Capevin Scheme, the Remgro Exchange and the Distell Scheme may qualify for rollover relief if the applicable transaction constitutes an “asset for share transaction” as defined in section 42 of the Income Tax Act.

2.3.12.2 An “asset for share transaction” for purposes of section 42 of the Income Tax Act includes *inter alia* any transaction in terms of which a person (the transferor) disposes of an asset to a South African resident company (the transferee) in exchange for the issue of equity shares to the transferor by the transferee where, in addition to other requirements and subject to a number of exclusions:

2.3.12.2.1 the market value of the asset being disposed of equals or exceeds the cost of that asset in the hands of the transferor; and

2.3.12.2.2 the transferor holds a “qualifying interest” in the transferee at the close of the day on which the asset is disposed of.

2.3.12.3 A “qualifying interest” includes *inter alia* an equity share held by the transferor in the transferee company if the transferee company is listed, or will be listed within 12 (twelve) months of the transaction in terms of which the transferor acquired that share.

2.3.12.4 If section 42 of the Income Tax Act is applicable:

2.3.12.4.1 The transferor should not realise any capital gain or taxable profit in respect of the asset they have disposed of, and should acquire the shares issued to them at a cost equal to the cost at which they held the aforementioned asset;

2.3.12.4.2 The transferee should acquire the asset at the cost at which the transferor held that asset, except in certain circumstances where the asset constitutes listed shares, in which case the transferee may acquire that asset at a cost equal to the market value of those shares immediately after the acquisition;

2.3.12.4.3 De-grouping provisions may be triggered if the transferee ceases to hold a “qualifying interest” or the transferor disposes of the asset within 18 (eighteen) months of the transaction; and

2.3.12.4.4 If certain additional requirements are met, the transaction should not give rise to securities transfer tax.

2.4 **Minimum subscription and underwriting**

2.4.1 The Ordinary Shares constituting the Schemes are being issued as consideration for the acquisition by DGHL of the Capevin Shares from the Capevin Shareholders and the Distell Shares from the Distell Minorities. Accordingly, no minimum amount for subscription, as contemplated in section 108(2) of the Companies Act read with Regulation 73, will apply.

2.4.2 No underwriting is applicable in respect of the Transaction, including the Schemes.

2.5 **Issue and allotment of Shares to Scheme Participants pursuant to the Transaction**

2.5.1 If the Conditions Precedent are timeously fulfilled or waived, if applicable, and subject to there being no legal impediment to the implementation of the Capevin Scheme immediately prior to its proposed implementation on Monday, 12 February 2018 and there being no legal impediment to the implementation of the Distell Scheme immediately prior to its proposed implementation on Wednesday, 14 February 2018, the Transaction will be implemented.

2.5.2 Pursuant to the Transaction:

- 2.5.2.1 Remgro Beverages will be issued and allotted 2.117 (two point one one seven) B Shares for every 1 (one) RCI-Related Ordinary Share issued and allotted to Remgro International and transferred to Remgro Beverages in terms of the Remgro Exchange. Such B Shares will be 'linked' to the relevant Ordinary Shares as detailed in Section Two Paragraph 2.3.11.6 of this Prospectus;
- 2.5.2.2 each participant in the Distell Scheme will be issued and allotted 1 (one) Ordinary Share for every 1 (one) Distell Share held; and
- 2.5.2.3 each participant in the Capevin Scheme will be issued and allotted 0.0667 (zero point zero six six seven) Ordinary Share for every 1 (one) Capevin Share held, in accordance with the Table of Entitlement set out in Annexure 9 to the Capevin Circular. Where the issue of the Ordinary Shares in this ratio results in a participant becoming entitled to a fraction of an Ordinary Share, such fraction will, in accordance with the JSE Listings Requirements regarding the treatment of fractions, be rounded down to the nearest whole number of Ordinary Shares, resulting in allocations of only whole Ordinary Shares. A cash payment will be made to participants whose allocation of Ordinary Shares is rounded down as aforesaid, in respect of that portion of such participants' entitlement that has been so rounded down. Further detail in this regard is provided in the Capevin Circular.

2.5.3 Payment in respect of Shares

- 2.5.3.1 No cash is payable in respect of the subscription for Ordinary Shares in terms of the Schemes. The consideration payable to DGHL by each Scheme Participant in respect of the issue and allotment of the Ordinary Shares in DGHL to such Scheme Participant is the delivery and transfer to DGHL of such Scheme Participant's Distell Shares and/or Capevin Shares, as the case may be.
- 2.5.3.2 An amount of R0.00001 (zero point zero zero zero zero one Rand) per B Share is payable by Remgro Beverages in respect of its subscription for B Shares. An aggregate amount of R1 242.27 (one thousand two hundred and forty two Rand and twenty seven cents) is, therefore, payable in respect of the 124 226 613 (one hundred and twenty four million two hundred and twenty six thousand six hundred and thirteen) B Shares which will be issued to Remgro Beverages in terms of the B Share Issuance.

2.5.4 Issue and allotment of the Ordinary Shares

- 2.5.4.1 All Ordinary Shares will be issued at the expense of DGHL.
- 2.5.4.2 All Ordinary Shares to be issued are subject to the provisions of DGHL's MOI.
- 2.5.4.3 The Ordinary Shares will rank *pari passu* in all respects with each other. Annexure E contains relevant extracts from DGHL's MOI.
- 2.5.4.4 As required in terms of the FMA, the Ordinary Shares will be issued in Dematerialised form.
- 2.5.4.5 The Ordinary Shares can only be traded on the JSE trading system in electronic form, as detailed more fully in Section Two Paragraph 2.5.5 of this Prospectus, below.
- 2.5.4.6 DGHL will adhere to the recognised and standardised electronic clearing and settlement procedures operating within the JSE environment.
- 2.5.4.7 Subsequent to implementation of the Capevin Scheme and the Distell Scheme, Ordinary Shareholders will be entitled to Certificate their Ordinary Shares at any time, should they so wish.

2.5.5 Trading of Ordinary Shares

- 2.5.5.1 Subject to the provisions of the B Share Terms relating to the transfer of Linked Ordinary Shares, Ordinary Shares may only be traded on the JSE in electronic form (Dematerialised Shares) and will be trading for electronic settlement in terms of Strate immediately following the Listing on the JSE.
- 2.5.5.2 Strate is a system of "paperless" transfer of shares. If any Scheme Participant has any doubt as to the mechanics of Strate, the Scheme Participant should consult with his CSDP or broker or other appropriate adviser and is also referred to the Strate website at www.strate.co.za for more information.

- 2.5.5.3 Some of the principal features of Strate are as follows:
- 2.5.5.4 trades executed on the JSE must be settled on a T+3 basis, being 3 (three) Business Days after the date of the trade;
- 2.5.5.5 there are penalties for late settlement;
- 2.5.5.6 electronic record of ownership replaces share certificates and physical delivery thereof; and
- 2.5.5.7 all Scheme Participants are required to appoint either a broker or CSDP to act on their behalf and to handle their settlement requirements.
- 2.5.6 Selling Restrictions
 - 2.5.6.1 General
 - 2.5.6.1.1 Save for obtaining the required approvals in South Africa for the issue of this Prospectus, no action has been or will or may be taken in any jurisdiction that would permit a public offering of the Ordinary Shares.
 - 2.5.6.1.2 The Ordinary Shares may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering, material or advertisement in connection with the Ordinary Shares may be distributed or published in or from any country or jurisdiction other than South Africa, except under circumstances that will result in compliance with any and all applicable rules and regulations of any such country or jurisdiction.
 - 2.5.6.1.3 Persons into whose possession this Prospectus comes should inform themselves about and observe any restrictions on the distribution of this Prospectus. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.
 - 2.5.6.1.4 This Prospectus does not constitute an offer to subscribe for any of the Ordinary Shares in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.
 - 2.5.6.2 United States

The Ordinary Shares have not been and will not be registered under the US Securities Act of 1933 (the “**Securities Act**”) and, subject to certain exceptions, may not be offered or sold within the United States. The Ordinary Shares are being offered and sold outside of the United States in reliance on Regulation S of the United States Securities Act, 1933.
 - 2.5.6.3 European Economic Area

In relation to each Member State (as referred to in the Prospectus Directive, hereinafter “**Member State**”), an offer to the public of any Ordinary Shares which are the subject of the Transaction may not be made in that Member State save for an offer pursuant to any of the following exemptions under the Prospectus Directive, if they have been implemented in the Member State:

 - 2.5.6.3.1 solely to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
 - 2.5.6.3.2 to any legal entity which has two or more of: (i) an average of at least 250 (two hundred and fifty) employees during the last financial year; (ii) a total balance sheet of more than €43,000,000 (forty three million euro) and (iii) an annual net turnover of more than €50,000,000 (fifty million euro), as shown in its last annual or consolidated accounts;
 - 2.5.6.3.3 to fewer than 100 (one hundred) natural or legal persons (other than qualified investors as defined in the Prospectus Directive); or
 - 2.5.6.3.4 in any other circumstances falling within Article 3(2) of the Prospectus Directive, it being recorded that sub-articles (a) and (g) of Article 4(2) of the Prospectus Directive have been repealed and replaced with Article 1(5)(1) of the New Prospectus Directive with effect from 20 July 2017, provided that no such offer of Ordinary Shares shall result in a requirement for the publication by DGHL or the lead sponsor of a prospectus pursuant to Article 3 of the Prospectus Directive.

3. SECTION THREE – STATEMENTS AND REPORTS RELATING TO THE OFFER

3.1 Statement as to adequacy of capital

3.1.1 The DGHL Board is of the opinion that the issued capital of DGHL will be adequate for the purposes of the business of DGHL for a period of at least 12 (twelve) months from the Last Practicable Date.

3.1.2 Working Capital

As a newly incorporated company, DGHL does not currently have overdraft facilities with its bankers. However, the Interim DGHL Directors nonetheless anticipate that, subsequent to implementation of the Transaction:

3.1.2.1 DGHL will be able, in the ordinary course of business, to pay its debts;

3.1.2.2 the assets of DGHL will be in excess of the liabilities of DGHL;

3.1.2.3 the share capital and reserves of DGHL will be adequate for its ordinary business requirements; and

3.1.2.4 DGHL will have sufficient working capital that is adequate for its future requirements.

3.2 Report by Directors as to material changes

The Interim DGHL Board reports that, as from DGHL's incorporation on 9 September 2016 and until the Last Practicable Date, other than in the ordinary course of business and in terms of this Prospectus, there have been no material changes in the assets and liabilities of DGHL, or of its financial or trading position.

3.3 Statement as to listing on stock exchange

3.3.1 The Ordinary Shares of DGHL will, upon implementation of the Transaction, be listed on the main board of the JSE. The approval for such listing has been obtained from the JSE.

3.3.2 The Ordinary Shares of DGHL will not be listed on any other securities exchange and, as at the Last Practicable Date, it is not intended to apply for a listing of the Ordinary Shares on any other securities exchange.

3.3.3 Upon implementation of the Transaction, the Distell Shares and the Capevin Shares will be delisted and removed from the lists maintained by the JSE.

3.4 Report by auditor where business undertaking to be acquired

DGHL will not receive any cash proceeds from the issue of the Ordinary Shares in terms of the Schemes and, therefore, does not intend to apply any funds derived from the issue of the Ordinary Shares in terms of the Schemes in order to acquire any business or undertaking. In the circumstances, Regulation 77 is not applicable.

3.5 Report by auditor where company will acquire subsidiary

DGHL will not receive any cash proceeds from the issue of the Ordinary Shares in terms of the Schemes, nor will it apply the Distell Shares and the Capevin Shares (being the consideration DGHL receives for the issue of the Ordinary Shares) to acquire any other juristic person. In the circumstances, Regulation 78 is not applicable.

3.6 Report by auditor of company

Having regard to the fact that DGHL's historical financial information for the period ended 30 June 2017 is included with this Prospectus, DGHL was granted permission by CIPC to omit a report by the auditor of DGHL in accordance with Regulation 79 from this Prospectus. The permission was granted because DGHL is, as at the Last Practicable Date, a newly incorporated company with no assets or liabilities, other than the minimal loan claim (of R1.00 (one Rand), generated by the issue of 1 (one) Ordinary Share (the Original Ordinary Share) to Remgro Beverages) and certain minor general and administrative expenses associated with the incorporation of DGHL.

4. SECTION FOUR – ADDITIONAL MATERIAL INFORMATION

4.1 Short-Term, cash incentive scheme

- 4.1.1 Remgro Beverages, as the sole shareholder of DGHL, has approved the short-term cash incentive scheme in respect of employees of the DGHL Group detailed below, subject to the Transaction being implemented and the remuneration committee of DGHL ratifying the introduction of the short-term cash incentive scheme in respect of DGHL immediately upon its appointment as the remuneration committee of DGHL. Distell's remuneration committee has approved the short-term cash incentive scheme in respect of Distell.
- 4.1.2 All permanent employees within the DGHL Group will participate in the DGHL Group's short-term cash incentive scheme. The scheme is designed to drive performance and encourage all employees to focus on both financial and non-financial value drivers.
- 4.1.3 Performance will be measured relative to strategic and operational targets.
- 4.1.4 The short-term incentive metrics include the following:

	Business Unit Weighting	Functional Unit Weighting
Revenue	10	10
EBIDTA	10	30
Cash Invested	10	10
B-BBEE	10	10
Subtotal	40	60
Strategic Initiatives	60	40
Total	100	100

Notes:

EBITDA = Earnings before interest, tax, depreciation and amortisation

Cash Invested = Increased investment in fixed assets, inventory, trade receivables and trade payables compare to the previous year

B-BBEE = broad-based black economic empowerment

- 4.1.5 The above targets are aligned to the DGHL Group's long-term strategic and financial objectives.
- 4.1.6 The achievement of targets will be validated internally and approved by DGHL's remuneration committee, before any payments are made to executive and other employees.
- 4.1.7 Exceeding targeted performance levels may result in the payment of larger bonuses, subject to certain thresholds for each job grade. The short-term cash incentive scheme will, however, be self-funded and performance bonuses will only be paid if the DGHL Group achieves or exceeds the financial targets set and once the cost of the incentive scheme is taken into account.
- 4.1.8 By collective agreement between Distell and its Subsidiaries, employees of Distell and its Subsidiaries within the bargaining unit also qualify for a fixed annual bonus, equal to one month's salary.

4.2 Long-Term, DGHL SAR Scheme

- 4.2.1 Distell established a group equity settled share appreciation right scheme in 2010 (Distell Employee Scheme), which scheme was approved by the Distell Shareholders at the Distell annual general meeting held in October 2010. In relation to Distell, the intention is for the CSP scheme, if approved by Distell Shareholders in relation to Distell as detailed in the Distell Incentive Plan Circular, to replace the Distell Employee Scheme over time and, in the circumstances and as at the Last Practicable Date, the remuneration committee of Distell does not intend to grant further SARs in terms of the Distell Employee Scheme. The same position will apply in respect of DGHL, namely that if the CSP Scheme is approved in relation to DGHL as detailed in the Incentive Plan Circulars, the intention is for the CSP Scheme to replace the DGHL SAR Scheme over time, with no further grants being made under the DGHL SAR Scheme. The DGHL SAR Scheme must, however, nonetheless be adopted in relation to DGHL so as to ensure that participants in the Distell Employee

Scheme are no worse off, due to the Transaction, and are able to receive equivalent grants in the DGHL SAR Scheme (as detailed in Section Four Paragraph 4.2.4 of this Prospectus below). The rules of the DGHL SAR Scheme provide for the replacement of SARs granted under the Distell Employee Scheme with SARs granted under the DGHL SAR Scheme following implementation of the Transaction (as detailed in Section Four Paragraph 4.2.4 of this Prospectus below); and the rules of the CSP Scheme in relation to Distell similarly provide that awards granted under the CSP Scheme in Distell will be replaced with awards granted under the CSP Scheme in DGHL following implementation of the Transaction (as detailed in the Incentive Plan Circulars).

4.2.2 Approvals

4.2.2.1 In the circumstances, Remgro Beverages, as sole Shareholder of DGHL, has approved a group equity settled share appreciation right scheme in relation to DGHL (DGHL SAR Scheme) as detailed below, subject to the Transaction being implemented and the remuneration committee of DGHL ratifying the introduction of the DGHL SAR Scheme, read with the rules of the DGHL SAR Scheme, extracts of which rules are set out in Annexure M to this Prospectus, in respect of DGHL immediately upon its appointment as remuneration committee of DGHL.

4.2.2.2 In addition, Distell's remuneration committee previously approved the Distell Employee Scheme in relation to Distell and has indicated that, upon their appointment as remuneration committee of DGHL, they will ratify the DGHL SAR Scheme as set out herein, read with the rules of the DGHL SAR Scheme, extracts of which rules are set out in Annexure M to this Prospectus, in respect of DGHL.

4.2.2.3 The JSE has also approved the adoption by DGHL of the DGHL SAR Scheme on this basis.

4.2.3 The DGHL SAR Scheme is subject to terms and conditions which are substantially similar to the Distell Employee Scheme, the salient features of which are detailed below.

4.2.4 As detailed more fully in the Distell Circular, if the Transaction proceeds the Distell Employee Scheme will terminate and participants in the Distell Employee Scheme will be afforded share appreciation rights in DGHL in terms of the DGHL SAR Scheme, that will replace unexercised appreciation rights granted to such participants in terms of the Distell Employee Scheme ("**Prior Accepted Grants**"), so as to ensure that such Distell participants are in a position, after implementation of the Transaction, which substantively mirrors the position they would have been in, had the Transaction not been implemented. Accordingly, Distell participants in possession of Prior Accepted Grants will be granted SARs in terms of the DGHL SAR Scheme that are equivalent in value to the relevant Prior Accepted Grants. This ensures that the Distell participants in the Distell Employee Scheme are not prejudiced through the implementation of the Transaction.

4.2.5 The aggregate number of Prior Accepted Grants in existence as at the Last Practicable Date in respect of the Distell Employee Scheme, which Prior Accepted Grants will be replaced by the relevant SARs in DGHL in terms of the DGHL SAR Scheme, is as follows:

Allocation	Price	Aggregate number of Prior Accepted Grants	Aggregate number of SARs to be granted under DGHL SAR Scheme
Allocation 1	72.00	80,533	80,533
Allocation 2	66.00	169,874	169,874
Allocation 3	93.35	363,877	363,877
Allocation 4	139.00	702,054	702,054
Allocation 5	129.00	1,042,704	1,042,704
Allocation 6	130.50	51,519	51,519
Allocation 7	152.00	65,850	65,850
Allocation 8	166.97	112,404	112,404
Allocation 9	166.97	21,138	21,138
Allocation 10	170.30	1,379,988	1,379,988
Allocation 11	167.70	233,451	233,451
Allocation 12	165.00	16,185	16,185
Allocation 13	165.02	787,542	787,542
Allocation 14	143.10	100,203	100,203
TOTAL		5,127,322	5,127,322

4.2.6 Introduction

- 4.2.6.1 The DGHL SAR Scheme has been established by DGHL to provide selected employees and executive directors within the DGHL Group (SAR Participants) with the right to receive DGHL Ordinary Shares in future, subject to certain employment-related conditions being met. These rights are referred to as share appreciation rights (SARs).
- 4.2.6.2 Subject to the relevant conditions being met, the SAR Participants will be entitled to receive Ordinary Shares having a value equal to the increase in the market value of a Ordinary Share over the applicable period, multiplied by the number of SARs that were granted to the relevant SAR Participant at inception and subsequently exercised by a SAR Participant. SAR Participants will be entitled to exercise the SARs granted to them in 3 (three) tranches as set out in Section Four Paragraph 4.2.9 of this Prospectus.
- 4.2.6.3 Extracts of the rules of the DGHL SAR Scheme are included with this Prospectus as Annexure M.

4.2.7 Eligibility

Employees and executive directors of DGHL and its subsidiaries, as defined in the rules of the DGHL SAR Scheme (Participating Companies), are eligible to participate in the DGHL SAR Scheme. Non-executive directors are not eligible to participate in the DGHL SAR Scheme.

4.2.8 SAR Grants

The DGHL remuneration committee, or any other duly authorised committee (as defined in the rules of the DGHL SAR Scheme) of DGHL, may grant SARs to selected employees and executive directors of Participating Companies (SAR Participants). SAR grants may be made to a SAR Participant on any day on which there are no restrictions on the making of SAR grants imposed by the Listings Requirements or any other applicable law, directive or code.

4.2.9 Exercise of Rights

SAR Participants will be able to exercise SARs granted to them in 3 (three) tranches, on the 3rd (third), 4th (fourth) and 5th (fifth) anniversaries of the SAR grant dates, respectively. All SARs which have been granted must have been exercised by a SAR Participant before the 7th (seventh) anniversary of the date on which the SARs were granted.

4.2.10 Settlement of SARs

- 4.2.10.1 If any SAR is exercised by a SAR Participant, the Participating Company that employs the SAR Participant will deliver the requisite number of Ordinary Shares to settle the obligation to the SAR Participant. The required Ordinary Shares may either be purchased in the market by the Participating Company and/or the Participating Company may subscribe for Ordinary Shares to be allotted and issued by DGHL directly to the SAR Participants for no consideration.
- 4.2.10.2 In exceptional circumstances, the remuneration committee may, in its discretion, pay to any SAR Participant the cash equivalent of any Ordinary Shares to be delivered following the exercise of a SAR.

4.2.11 SAR Scheme Limits

- 4.2.11.1 Subject to certain exceptions which may result in adjustments, the maximum number of Ordinary Shares that may be delivered to SAR Participants under the DGHL SAR Scheme, together with the Distell Employee Scheme, may not exceed a total of 10 000 000 (ten million) Ordinary Shares.
- 4.2.11.2 Subject to certain exceptions which may result in adjustments, the maximum number of shares that may be delivered to any SAR Participant under the DGHL SAR Scheme, together with the Distell Employee Scheme, may not exceed a total of 1 000 000 (one million) Ordinary Shares.

4.2.12 Market Value of Ordinary Shares in relation to the DGHL SAR Scheme and grant price of converted Prior Accepted Grants

The market value of an Ordinary Share for the purposes of determining the grant price of the SARs in terms of the DGHL SAR Scheme will be the closing market price of a Ordinary Share on the JSE on the Business Day immediately preceding the date of the grant, as certified by DGHL's company secretary. The grant price of a SAR that replaces a Prior Accepted Grant will be equal to the grant price of the relevant Prior Accepted Grant. The

exercise price in terms of the DGHL SAR Scheme will be the closing price of a Ordinary Share as quoted by the JSE on the Business Day immediately preceding the date on the exercise notice.

4.2.13 Employees Tax

Each SAR Participant will be liable for any employees' tax, securities transfer tax and any other taxes, levies or costs for which a liability may arise as a result of the exercise of any SAR. A SAR Participant will be obliged to pay, on demand, the amount of any such liability to the Participating Company that is obliged to deliver the Ordinary Shares in settlement of a SAR exercised.

4.2.14 Takeover

4.2.14.1 All unexercised SARs will become immediately exercisable in the event of a takeover of DGHL, as defined in the rules of the DGHL SAR Scheme.

4.2.14.2 If there is an internal restructuring or other event which does not involve any change in the control of DGHL, or if a majority shareholder acquires additional Ordinary Shares or other securities in DGHL, and the relevant transaction is therefore not a takeover, or if any other event happens which may affect the grants, the remuneration committee may, in its discretion, take such action (if any) as it considers appropriate to protect the interests of SAR Participants.

4.2.15 Variation of Share Capital of DGHL

In the event of a rights issue, capitalisation issue, subdivision of Ordinary Shares, consolidation of Ordinary Shares, the Ordinary Shares ceasing to be listed on the JSE, DGHL being put into liquidation for the purpose of a reorganisation, or any other event affecting the Ordinary Share capital of DGHL, or in the event of DGHL making distributions to Shareholders in terms of section 46 of the Act, including a distribution *in specie* and a special dividend (other than a dividend paid in the ordinary course of business out of the current year's retained earnings), SAR Participants will continue to participate in the DGHL SAR Scheme. The DGHL remuneration committee may, however, in its discretion make such adjustments to the number of SARs, or take such other action as may be required, to place SAR Participants in a substantially similar position to that which they were in, prior to the happening of the relevant event.

4.2.16 SARs

4.2.16.1 SARs may not be transferred, ceded (whether as security or as an out and out cession), assigned, encumbered or otherwise disposed of by a SAR Participant to any other person, except that on the death of a SAR Participant, the SARs granted to him will be transferred to the executor of his deceased estate, or his heirs and legatees, as the case may be.

4.2.16.2 Ordinary Shares may not be transferred, ceded (whether as security or as an out and out cession), assigned, encumbered or otherwise disposed of by a SAR Participant to any other person, until such shares have been delivered to a SAR Participant in accordance with the rules of the DGHL SAR Scheme.

4.2.16.3 A SAR Participant will not be entitled to any voting rights or dividends on the Ordinary Shares not yet delivered to him.

4.2.16.4 If DGHL is placed in liquidation, other than for purposes of a reorganisation, any SARs which SAR Participants are not yet entitled to exercise will *ipso facto* lapse from the date of liquidation, which shall be the date upon which any application for the provisional or final liquidation of DGHL is granted by a South African court.

4.2.17 Termination of Employment

4.2.17.1 If a SAR Participant's employment with any Participating Company terminates for reasons other than early retirement, retirement, retrenchment or death, then all unexercised SARs (whether or not the SAR Participant has become entitled to exercise them) will lapse on the date of termination.

4.2.17.2 If a SAR Participant's employment with any Participating Company terminates by reason of retirement, retrenchment or death, the SAR Participant or the executor of his/her estate may exercise all of the SARs granted to the SAR Participant at any time within 12 (twelve) months after the date of termination of employment.

- 4.2.17.3 A SAR Participant shall be deemed still to be an employee for purposes of the DGHL SAR Scheme upon early retirement, if such early retirement is with the consent of the DGHL Board, in respect of any SARs granted but not exercised.
- 4.2.18 Implementation and Commencement of the DGHL SAR Scheme
 - 4.2.18.1 Approval for the implementation and commencement of the DGHL SAR Scheme has been given by Remgro Beverages, being DGHL's sole shareholder as at the Last Practicable Date.
 - 4.2.18.2 Extracts of the rules of the DGHL SAR Scheme are attached to this Prospectus as Annexure M. Copies of the complete rules will be available for inspection during normal business hours at the registered office of Distell and Capevin, respectively, from the date of issue of this Prospectus up to and including 27 October 2017.
 - 4.2.18.3 The DGHL SAR Scheme will commence on the date upon which the Ordinary Shares issued in terms of the Distell Scheme are listed on the JSE.

4.3 Additional Long-Term Incentive Plan

4.3.1 Introduction

- 4.3.1.1 As detailed above, Distell wishes to introduce a different incentive plan (the CSP Scheme), which will replace the DGHL SAR Scheme over time, to ensure that appropriate talent and skills are retained within the Distell Group. Further detail of the CSP Scheme is provided in the Incentive Plan Circulars which accompany this Prospectus.
- 4.3.1.2 It is, however, recognised that it is important to obtain shareholder buy-in and approval in respect of any incentive scheme that is implemented in respect of a listed company. In the context of the reorganisation of Distell's ownership structure contemplated by the Transaction, there will be no opportunity for the Distell Shareholders and the Capevin Shareholders to vote, as shareholders of DGHL, to approve the Incentive Plans detailed in the Incentive Plan Circulars in relation to DGHL. Therefore Distell, Capevin, DGHL and Remgro have agreed that, if the Transaction becomes unconditional and is implemented, the introduction and implementation of the CSP Scheme in relation to DGHL, is conditional on the Distell Shareholders and the Capevin Shareholders approving the CSP Scheme through an advisory vote as detailed in Section Four Paragraph 4.3.3 below and in the Incentive Plan Circulars.

4.3.2 Approvals

- 4.3.2.1 In the circumstances, Remgro Beverages, as sole Shareholder of DGHL as at the Last Practicable Date, has approved a conditional share plan scheme as detailed in the Incentive Plan Circulars, namely the CSP Scheme, in respect of DGHL, subject to (i) the Transaction being implemented, (ii) the remuneration committee of DGHL ratifying the introduction of the CSP Scheme in respect of DGHL immediately upon its appointment as remuneration committee of DGHL and (iii) the Distell Shareholders and the Capevin Shareholders approving an advisory vote in relation to the CSP Scheme, as contemplated in Section Four Paragraph 4.3.3 below and the Incentive Plan Circulars.
- 4.3.2.2 In addition, Distell's remuneration committee has approved a CSP scheme, on the same terms as the CSP Scheme, in respect of Distell as set out in the Distell Incentive Plan Circular.
- 4.3.2.3 Finally, the JSE has also approved the adoption by DGHL of the CSP Scheme on this basis.

4.3.3 Advisory Vote

- 4.3.3.1 As sole shareholder of DGHL as at the Last Practicable Date, Remgro Beverages has approved the CSP Scheme and its rules, as detailed in the Incentive Plan Circulars. This approval by Remgro Beverages is, however, subject to:
 - 4.3.3.1.1 the Transaction being implemented;
 - 4.3.3.1.2 the remuneration committee of DGHL ratifying the introduction of the CSP Scheme in respect of DGHL immediately upon its appointment as remuneration committee of DGHL;

- 4.3.3.1.3 the Distell Shareholders adopting an advisory vote, in terms of which advisory vote the Distell Shareholders approve, in relation to DGHL, the CSP Scheme; and
- 4.3.3.1.4 the Capevin Shareholders adopting an advisory vote, in terms of which advisory vote the Capevin Shareholders approve, in relation to DGHL, the CSP Scheme,

as more fully detailed in the Incentive Plan Circulars.

- 4.3.3.2 Unless affirmative advisory votes are obtained from both the Distell Shareholders and the Capevin Shareholders in relation to the CSP Scheme, the conditions to the Remgro Beverages' approval of the CSP Scheme shall not be fulfilled, in which event the CSP Scheme will not be implemented in relation to DGHL.
- 4.3.3.3 RCI will be entitled to vote in respect of the aforesaid advisory vote at the Distell CSP Meeting (as such term is defined in the Distell Circular) and Remgro International will be entitled to vote in respect of the aforesaid advisory vote at the Capevin CSP Meeting (as such term is defined in the Capevin Circular).

4.4 General Shareholder Resolutions and Authorisations

- 4.4.1 In order to ensure that, immediately upon implementation of the Transaction, DGHL replicates Distell as closely as possible, Remgro Beverages (as sole shareholder of DGHL as at the Last Practicable Date) has adopted the following resolutions in relation to DGHL, where appropriate subject to the Conditions Precedent being fulfilled or waived, as applicable and/or the Transaction being implemented, which resolutions mirror those which are to be put forward or would ordinarily be put forward to the Distell Shareholders at the Distell 2017 AGM, namely:
 - 4.4.1.1 the appointment of PricewaterhouseCoopers as auditor to DGHL has been approved;
 - 4.4.1.2 the appointment of the Distell Directors as the Final DGHL Directors has been approved;
 - 4.4.1.3 the appointment of GP Dingaen, Dr DP Du Plessis and CE Sevillano-Barredo as members of DGHL's audit committee has been approved. In this regard, the Distell Directors, through Distell's nomination committee, nominated the aforesaid persons as members of the audit committee of Distell, having satisfied themselves that each aforesaid future member of the audit committee of DGHL satisfies the requirements of sections 94(4) and 94(5) of the Companies Act, Regulation 42 and the King Code;
 - 4.4.1.4 10% (ten percent) of the authorised but unissued Ordinary Shares (after implementation of the Transaction) in DGHL has been placed under the control of the Final DGHL Directors who have been authorised to allot, issue and otherwise dispose of such Ordinary Shares in DGHL upon such terms and conditions as the Final DGHL Directors in their sole discretion deem fit, subject to the provisions of the Companies Act, DGHL's MOI and the Listings Requirements, where applicable;
 - 4.4.1.5 the remuneration policy detailed in Section One Paragraph 1.2.9.4 of this Prospectus has been endorsed through a non-binding advisory vote, in accordance with principle 14 (14.37) of the King Code;
 - 4.4.1.6 the remuneration of non-executive DGHL Directors (other than the Interim DGHL Directors), as detailed in Section One Paragraph 1.2.9.5 of this Prospectus, for the financial year ending 30 June 2018, payable bi-annually in arrears, has been approved;
 - 4.4.1.7 the granting of authority to the DGHL Board to remunerate non-executive DGHL Directors (other than the Interim DGHL Directors) for any additional services which such DGHL Directors may be asked to perform on behalf of DGHL, over and above attending formal Board- and committee meetings, the approval and quantification of which additional remuneration is to be carried out by DGHL's remuneration committee consisting of disinterested Directors, has been approved; and
 - 4.4.1.8 as contemplated in section 45(3)(a)(ii) of the Companies Act, DGHL has been authorised, as a general approval, to provide financial assistance, whether directly or indirectly, to any related or inter-related company or corporation, including by way of the company lending money, guaranteeing a loan or other obligation and/or securing any debt or obligation, for a period of 2 (two) years commencing on the date the resolution was adopted, namely 13 September 2017.

- 4.4.2 In addition, Remgro Beverages, as sole Shareholder of DGHL, and/or the Interim DGHL Directors, as the case may be, have adopted the resolutions required to implement the Transaction, including but not limited to:
 - 4.4.2.1 determining that the preferences, rights, limitations and other terms attaching to the B Shares are as detailed in the B Share Terms attached as Annexure F to this Prospectus;
 - 4.4.2.2 approving and adopting the DGHL SAR Scheme and the CSP Scheme in relation to DGHL;
 - 4.4.2.3 approving the issue of the Ordinary Shares and B Shares in accordance with the Transaction, including but not limited to the Schemes; and
 - 4.4.2.4 approving the Repurchase of the Original Ordinary Share from Remgro Beverages for an amount of R1.00 (one Rand).

4.5 **Tax, FAIS and other considerations**

- 4.5.1 Scheme Participants should not treat the contents of this Prospectus as advice relating to legal, taxation, investment or any other matters and should consult their own professional advisers concerning the consequences of their subscribing for, acquiring, holding or disposing of Ordinary Shares at any point in time. Scheme Participants should inform themselves as to all relevant aspects of the Prospectus, including but not limited to:
 - 4.5.1.1 the legal requirements within their own countries for the purchase, holding, transfer or disposal of Ordinary Shares;
 - 4.5.1.2 any foreign exchange restrictions applicable to the purchase, holding, transfer or disposal of Ordinary Shares which they might encounter; and
 - 4.5.1.3 the income and other tax consequences which may apply to them as a result of the subscription, purchase, holding, transfer or disposal of Ordinary Shares. Scheme Participants should rely upon their own representatives, including their own legal advisers and accountants, and not those of DGHL, as to legal, tax, investment or any other related matters concerning DGHL and an investment therein.
- 4.5.2 The information contained in this Prospectus constitutes factual information as contemplated in section 1(3)(a) of FAIS and should not be construed as an express or implied recommendation, guidance or proposal that any particular transaction in respect of the Ordinary Shares is appropriate to the particular investment objective, financial situation or need of a prospective investor.

4.6 **South African Exchange Control Regulations**

The following summary is provided for information purposes only. It is therefore not comprehensive and should not be construed as advice (refer to Section Four Paragraph 4.5 above).

In terms of the South African Exchange Control Regulations, persons who are not resident in the Common Monetary Area (non-residents) may acquire or dispose of shares in companies that are resident in the Common Monetary Area (residents), provided that:

- 4.6.1 any shares so acquired must be endorsed as “non-resident” by an authorised dealer (in the case of certificated shares) or flagged as “non-resident” by a CSDP or a settlement agent (in the case of uncertificated shares); and
- 4.6.2 the endorsement or non-resident flagging of shares (as the case may be) of any shares so disposed of must be cancelled.

It is further noted that, in terms of the Exchange Control Regulations of South Africa:

- 4.6.3 a former resident of the Common Monetary Area who has emigrated, may use funds in the emigrant capital account to subscribe for Ordinary Shares in terms of this Prospectus;
- 4.6.4 all payments in respect of subscriptions for Ordinary Shares by an emigrant, using funds from an emigrant’s capital account, must be made through the Authorised Dealer controlling the remaining assets;
- 4.6.5 any Ordinary Shares issued pursuant to the use of funds from an emigrant’s capital account, will be credited to their share accounts at the central securities depository participant controlling their remaining portfolios;
- 4.6.6 Ordinary Shares subsequently re-materialised and issued in certificated form, will be endorsed “Non-Resident” and will be sent to the Authorised Dealer through whom the payment was made; and

- 4.6.7 if applicable, refund monies payable in respect of unsuccessful applications or partly successful applications, as the case may be, for Ordinary Shares in terms of this Prospectus, emanating from emigrant capital accounts, will be returned to the Authorised Dealer through whom the payments were made, for credit to such emigrants' capital accounts.
- 4.6.8 Applicants resident outside the Common Monetary Area should note that, where Ordinary Shares are subsequently re-materialised and issued in certificated form, such share certificates will be endorsed "Non-Resident" in terms of the Exchange Control Regulations.

4.7 Government Protection and Investment Encouragement Law

DGHL does not operate a business, and will serve primarily as an investment holding company, holding shares in Distell and all the shares in Capevin.

4.8 Litigation Statement

As at the Last Practicable Date, there are no legal or arbitration proceedings against DGHL, nor are the Interim DGHL Directors aware of any such proceedings which are pending or threatened against DGHL, which may have or have had, in the 12 (twelve) month period preceding the Last Practicable Date, a material effect on DGHL's financial position.

4.9 Advisers' Interests

The sponsors, legal advisers and auditors of DGHL do not have any interest in the issued share capital of DGHL as at the Last Practicable Date.

4.10 JSE Sponsor Independence

RMB is the JSE Sponsor to DGHL. Notwithstanding the combined fee to be received by RMB in relation to the Transaction in its combined role as Financial adviser, Merchant Bank and JSE Sponsor, RMB does not believe this will compromise its independence to act as JSE Sponsor to DGHL for the reasons set out below:

- 4.10.1 The RMB Sponsor Team is a separate unit to RMB Corporate Finance, with strict Chinese walls maintained;
- 4.10.2 The RMB Sponsor Team will be apportioned 1% (one percent) of the RMB combined fee reflected under the expenses table of this Prospectus, which fee is immaterial relative to the annual RMB sponsor fees earned.

4.11 Statement regarding Distell, Capevin and RCI

4.11.1 As at the Last Practicable Date, DGHL has no Subsidiaries. However, upon implementation of the Transaction, Capevin, RCI and Distell will become Subsidiaries of DGHL.

4.11.2 In the circumstances, the following statements are made in respect of Distell, Capevin and RCI, respectively:

4.11.2.1 In respect of Distell:

- 4.11.2.1.1 the Distell Board is of the opinion that the issued capital of Distell will be adequate for the purposes of the business of Distell for a period of at least 12 (twelve) months from the Last Practicable Date;
- 4.11.2.1.2 the Distell Board reports that, as from the end of Distell's financial year on 30 June 2017 and until the Last Practicable Date, other than in the ordinary course of business and as detailed in the Distell Circular and this Prospectus, there have been no material changes in the assets and liabilities of Distell, or of its financial or trading position;
- 4.11.2.1.3 there are no legal or arbitration proceedings against Distell, nor are the Distell Directors aware of any such proceedings which are pending or threatened against Distell, which may have or have had, in the 12 (twelve) month period preceding the Last Practicable Date, a material effect on Distell's financial position;
- 4.11.2.1.4 the sponsors, legal advisers and auditors of Distell do not have any interest in the issued share capital of DGHL, Capevin, RCI or Distell as at the Last Practicable Date;
- 4.11.2.1.5 There is no government protection or any investment encouragement law affecting the business operated by Distell.

4.11.2.2 In respect of Capevin:

- 4.11.2.2.1 the Capevin Board is of the opinion that the issued capital of Capevin will be adequate for the purposes of the business of Capevin for a period of at least 12 (twelve) months from the Last Practicable Date;
- 4.11.2.2.2 the Capevin Directors reports that, as from the end of Capevin's financial year on 30 June 2017 and until the Last Practicable Date, other than in the ordinary course of business and as detailed in the Capevin Circular and this Prospectus, there have been no material changes in the assets and liabilities of Capevin, or of its financial or trading position;
- 4.11.2.2.3 there are no legal or arbitration proceedings against Capevin, nor is the Capevin Board aware of any such proceedings which are pending or threatened against Capevin, which may have or have had, in the 12 (twelve) month period preceding the Last Practicable Date, a material effect on Capevin's financial position; and
- 4.11.2.2.4 the sponsors, legal advisers and auditors of Capevin do not have any interest in the issued share capital of DGHL, Capevin, RCI or Distell as at the Last Practicable Date.

4.11.2.3 In respect of RCI:

- 4.11.2.3.1 the RCI Board is of the opinion that the issued capital of RCI will be adequate for the purposes of the business of RCI for a period of at least 12 (twelve) months from the Last Practicable Date;
- 4.11.2.3.2 the RCI Directors report that, as from the end of RCI's financial year on 30 June 2017 and until the Last Practicable Date, other than in the ordinary course of business and in terms of the Capevin Circular, the Distell Circular and this Prospectus, there have been no material changes in the assets and liabilities of RCI, or of its financial or trading position;
- 4.11.2.3.3 there are no legal or arbitration proceedings against RCI, nor are the RCI Directors aware of any such proceedings which are pending or threatened against RCI, which may have or have had, in the 12 (twelve) month period preceding the Last Practicable Date, a material effect on RCI's financial position; and
- 4.11.2.3.4 the legal advisers and auditors of RCI do not have any interest in the issued share capital of DGHL, Capevin, RCI or Distell as at the Last Practicable Date.

4.12 Documentation available for inspection

Copies of the following documents will be available for inspection at DGHL's registered office during business hours from date of issue of this Prospectus up to and including 27 October 2017:

- 4.12.1 the signed copy of this Prospectus;
- 4.12.2 the Scheme Circulars;
- 4.12.3 the Incentive Plan Circulars;
- 4.12.4 DGHL's MOI, incorporating the B Share Terms;
- 4.12.5 Distell's MOI;
- 4.12.6 Capevin's MOI;
- 4.12.7 RCI's MOI;
- 4.12.8 extracts from the rules of the DGHL SAR Scheme;
- 4.12.9 the agreement to implement the Transaction, referred to in Section One Paragraph 1.7.2 above;
- 4.12.10 DGHL historical financial information for the year ended 30 June 2017;
- 4.12.11 the Independent Reporting Accountant's Report in respect of DGHL's historical financial information for the year ended 30 June 2017;
- 4.12.12 Distell's consolidated audited financial information for the 3 (three) years ended 30 June 2017;

- 4.12.13 Capevin's consolidated audited financial information for the 3 (three) years ended 30 June 2017;
- 4.12.14 RCI's historical financial information for the years ended 30 June 2015, 30 June 2016 and 30 June 2017;
- 4.12.15 the Independent Reporting Accountant's Report in respect of RCI's aforesaid historical financial information for the three years ended 30 June 2017; and
- 4.12.16 the consent letters signed by DGHL's legal adviser, JSE and transaction sponsor, banker, transfer secretaries and independent reporting accountant referred to in Section One Paragraph 1.2.20.

5. SECTION FIVE – INAPPLICABLE OR IMMATERIAL MATTERS

For purposes of this Prospectus, the following provisions of the Regulations are not applicable:

Regulation Number	Regulation Heading
57(1)(b)(i)	Name, address and incorporation
57(2)	Name, address and incorporation
58(3)(d)	Directors, other office holders, or material third parties
59(3)f)	History, state of affairs and prospectus of the company
60(a)(iii)	Share capital of the company
61	Options or preferential rights in respect of shares
62	Commissions paid or payable in respect of underwriting
63	Material contracts
64	Interest of directors and promoters
65	Loans
66	Shares issued or to be issued otherwise than for cash
67	Property acquired or to be acquired
68	Amounts paid or payable to promoters
70(b)	Purpose of the offer
72(1)(c)	Particulars of the offer
72(1)(d)	Particulars of the offer
72(2)	Particulars of the offer
72(3)	Particulars of the offer
73	Minimum subscription
74(2)(b)	Statement as to adequacy of capital
75	Report by directors as to material changes
77	Report by auditor where business undertaking to be acquired
78	Report by auditor where company will acquire a subsidiary
79	Report by auditor of company
80	Requirements for prospectus of mining company

SIGNATURE OF PROSPECTUS

DANIELLE IVELENE HEYNES

Company Secretary of DGHL

Signed in **STELLENBOSCH** on _____ September 2017 on behalf of all the Interim DGHL Directors in terms of powers of attorney granted on or about 12 September 2017

ANDRE CHARLES PARKER

Director of Distell

Signed in **STELLENBOSCH** on _____ September 2017 on behalf of the Distell Board in terms of powers of attorney granted on or about 12 September 2017

MARIZA LUBBE

Duly authorised signatory of Capevin

Signed in **STELLENBOSCH** on _____ September 2017 on behalf of the Capevin Board in terms of powers of attorney granted on or about 12 September 2017

PIETER RUDOLF LOUW

Director of RCI

Signed in **STELLENBOSCH** on _____ September 2017 on behalf of all the RCI Directors in terms of powers of attorney granted on or about 12 September 2017

HISTORICAL FINANCIAL INFORMATION OF BUSINESS VENTURE INVESTMENTS NO 1997 LIMITED (“COMPANY”) FOR THE PERIOD ENDED 30 JUNE 2017

INTRODUCTION

The historical information of the Company set out below has been extracted from the audited financial statements of the Company for the period ended 30 June 2017 (“Historical Financial Information”). The financial statements have been prepared under the supervision of Remgro Limited’s Chief Financial Officer, Mr Neville Williams, CA(SA). The Historical Financial Information is the responsibility of the directors. The Historical Financial Information was prepared in accordance with IFRS and interpretations adopted by the International Accounting Standards Boards (“IASB”) and was audited by PricewaterhouseCoopers Inc, who issued an unqualified audit opinion thereon. The independent reporting accountant’s report on the Historical Financial Information is presented in Annexure AI.

COMMENTARY

The Company is an investment company which derives its income mainly from interest and dividends.

The Company was incorporated as a private company on 6 September 2016 and was subsequently converted to a public company. The Company was incorporated in order to serve as the vehicle through which the Transaction will be implemented. In the event that the Transaction becomes effective, the Company will become the holding company of Distell Group Limited and Capevin Holdings Limited.

DIRECTORS

The Directors are:

N R Boonzaier (appointed 7 November 2016)

A Kotze (appointed 7 November 2016)

M Lubbe (appointed 7 November 2016)

W L van Staden (resigned 31 October 2016)

N J Williams (appointed 7 November 2016)

DIVIDEND

No dividend was declared or proposed for the period under review.

BUSINESS VENTURE INVESTMENTS NO 1997 LIMITED
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2017

	Notes	2017 R
ASSETS		
Current assets		
Intergroup debt	2	1
EQUITY AND LIABILITIES		
Capital and reserves		
Stated capital	3	1
Total equity and liabilities		1

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2017

	Stated Capital R	Total R
2017		
Shares issued	1	1
	1	1

STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 30 JUNE 2017

	Ten months ended 30 June 2017
Cash flow – operating activities	
Net profit before taxation	–
Net cash inflow from operating activities	–
Cash flow – financing activities	–
Shares issued	1
(Increase)/decrease in intergroup debt	(1)
Net increase in cash and cash equivalents	–
Cash and cash equivalents at the beginning of the period	–
Cash and cash equivalents at the end of the period	–

NOTES TO THE HISTORICAL FINANCIAL INFORMATION FOR THE PERIOD ENDED 30 JUNE 2017

1. ACCOUNTING POLICIES

The Historical Financial Information was prepared on the historical cost basis, unless otherwise indicated, in accordance with International Financial Reporting Standards and the requirements of the Companies Act (No. 71 of 2008), as amended.

2. INTERGROUP DEBT

	2017 R
Owing by fellow subsidiary company	
Interest-free loan with no fixed terms of repayment	1

3. STATED CAPITAL

Authorised

20 000 000 000 Ordinary shares of no par value

300 000 000 B Ordinary shares of no par value

Issued

1 Ordinary share of no par value	1
----------------------------------	---

4. TAXATION

No provision has been made for income tax as the Company does not have any taxable income.

5. INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

No income statement and statement of comprehensive income were prepared as the Company had no operations during the period under review.

6. RELATED PARTY INFORMATION

Details of outstanding balances with related parties are disclosed in note 2.

Directors

No directors' emoluments were paid for the past financial period.

Shareholders

The Company is a wholly owned subsidiary of Remgro Beverages Proprietary Limited.

The ultimate holding company is Remgro Limited.

7. FINANCIAL RISK MANAGEMENT

The Company has the following exposure to financial risks resulting from the use of financial instruments:

7.1 Credit risk

Credit risk is the risk of financial loss should a counterparty fail to meet its contractual obligations, and arises from credit exposure from outstanding loans.

The risk in terms of the outstanding loan is limited as it consists primarily of intergroup debt and the maximum exposure to credit risk at the reporting date is the carrying value of the class of asset mentioned above.

7.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company is not exposed to liquidity risk as it had no outstanding obligations at year-end.

**NOTES TO THE HISTORICAL FINANCIAL INFORMATION FOR THE PERIOD ENDED 30 JUNE 2017
(continued)**

7.3 Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and market prices of equity instruments will affect the Company's income.

Foreign exchange risk

The Company has no transactions in foreign currency and as such is not exposed to any foreign currency risk.

Interest rate risk

The Company has no exposure to interest rate risk as its loan receivable from a fellow subsidiary company is interest-free.

Price risk

The Company is not exposed to price risk as it does not have any investments in equity instruments that are accounted for at fair value.

7.4 Fair value

At 30 June 2017 the fair value of financial assets and liabilities disclosed in the statement of financial position approximates their carrying value.

7.5 Capital risk management

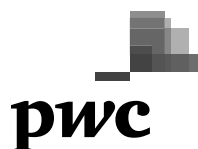
The Company has access to additional funding by way of shareholder loans should circumstances require that, or investment opportunities arise.

8. POST BALANCE SHEET EVENTS

During June 2017, it was announced that Distell Group Limited will restructure its current ownership structure into a new listed entity, being the Company. The transaction is still subject to a number of conditions precedent, including shareholder and relevant competition authorities approval. The effective date of the transaction is expected to be during the second half of the 2018 financial year.

9. KEY AUDIT MATTERS

The auditors have determined that there are no key audit matters in respect of the Company since it is dormant. Key audit matters for the consolidated financial statements of the Company would only comprise those of Distell Group Limited, the main operating entity of the newly formed group, as set out in Annexure B.



Independent reporting accountant's audit report on the historical financial information of Business Venture Investments No 1997 Limited

To the directors of Business Venture Investments No 1997 Limited

Our opinion

Business Venture Investments No 1997 Limited is issuing a prospectus to its shareholders ("the Prospectus") regarding the proposed restructuring and simplification of the multi-tiered shareholding structure of Distell Group Limited (the "Proposed Transaction").

In our opinion, the historical financial information present fairly, in all material respects, the financial position of Business Venture Investments No 1997 Limited (the Company) as at 30 June 2017, and its financial performance and cash flows for the period then ended in accordance with International Financial Reporting Standards and the JSE Listings Requirements.

What we have audited

At your request and solely for the purpose of the Prospectus to be dated on or about 20 September 2017, Business Venture Investments No 1997 Limited's historical financial information as set out in Annexure A of the Prospectus comprise:

- the statement of financial position as at 30 June 2017;
- the statement of changes in equity for the period then ended;
- the statement of cash flows for the period then ended; and
- the notes to the historical financial information, which include a summary of significant accounting policies (collectively referred to as "Historical Financial Information").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Reporting accountant's responsibilities for the audit of the Historical Financial Information* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the *Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B).

**PricewaterhouseCoopers Inc., Capital Place, 15-21 Neutron Avenue, Techno Park, Stellenbosch 7600
P O Box 57, Stellenbosch 7599
T: +27 (21) 815 3000, F: +27 (21) 815 3100, www.pwc.co.za**

Chief Executive Officer: T D Shango
Management Committee: S N Madikane, J S Masondo, P J Mothibe, C Richardson, F Tonelli, C Volschenk
The Company's principal place of business is at 2 Eglon Road, Sunninghill where a list of directors' names is available for inspection.
Reg. no. 1998/012055/21, VAT reg.no. 4950174682

Purpose of this report

This report has been prepared for the purpose of the Prospectus and for no other purpose.

Responsibilities of the directors for the Historical Financial Information

The directors are responsible for the preparation and fair presentation of the Historical Financial Information in accordance with International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that are free from material misstatement, whether due to fraud or error.

In preparing the Historical Financial Information, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Reporting Accountant's responsibilities for the audit of the Historical Financial Information

Our objectives are to obtain reasonable assurance about whether the Historical Financial Information as a whole are free from material misstatement, whether due to fraud or error, and to issue a reporting accountant's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Historical Financial Information.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Historical Financial Information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Historical Financial Information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Historical Financial Information, including the disclosures, and whether the Historical Financial Information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.

Director: NH Döman
Registered Auditor
Stellenbosch

14 September 2017

DISTELL GROUP LIMITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The South African Companies Act (No. 71 of 2008) requires the directors to prepare annual financial statements for each financial year which fairly present the state of affairs of the company and the Group and the profits or losses for the period. In preparing these annual financial statements, they must:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether set accounting standards have been followed, subject to any material departures disclosed and explained in the annual financial statements; and
- prepare the annual financial statements on the going concern basis unless it is inappropriate to presume the Group will continue in business.

The directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company, to ensure the financial statements comply with the Act. They have general responsibility for taking such steps as are reasonably accessible to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

These annual financial statements are prepared in accordance with International Financial Reporting Standards and incorporate full and responsible disclosure in line with the accounting policies of the Group, supported by reasonable and prudent judgements and estimates.

The board of directors approves any change in accounting policy, with their effects fully explained in the annual financial statements.

The directors have reviewed the Group's budget and cash flow projections for the period to 30 June 2018. Based on these projections, and considering the Group's current financial position and the financing facilities available to it, they are satisfied it has adequate resources to continue its operations in the foreseeable future. The annual financial statements were prepared on a going concern basis.

No event, material to the understanding of this report, has occurred between the financial year-end and the date of this report.

A copy of the annual financial statements of the Group is available on the company's website. The directors are responsible for the maintenance and integrity of statutory and audited information on the company's website.

The annual financial statements as set out on pages 13 to 85 were supervised by the Group financial director, Lucas Verwey CA(SA), approved by the board of directors and are signed on its behalf:

JJ Durand
Chairman

RM Rushton
Group Managing Director

Stellenbosch
30 August 2017

CERTIFICATE BY THE COMPANY SECRETARY

I, Lizelle Malan, being company secretary of Distell Group Limited, hereby certify that all returns and notices of Distell Group Limited required in terms of the Companies Act (No. 71 of 2008), as amended, have in respect of the year under review, been filed with the Companies and Intellectual Property Commission and that all such returns and notices appear to be true, correct and up to date.

L Malan

Company Secretary

Stellenbosch

30 August 2017

CURRENCY OF FINANCIAL STATEMENTS

The annual financial statements are expressed in South African rand (R).

The rand cost of a unit of the following major currencies at 30 June was:

	2017	2016
US dollar	13.1	14.9
UK pound	17.0	19.9
Euro	14.9	16.5
Canadian dollar	10.1	11.5
Botswana pula	1.3	1.4
Australian dollar	10.1	11.1
Kenyan shilling	0.1	0.1
Chinese yuan	1.9	2.2

AUDIT COMMITTEE REPORT FOR THE YEAR ENDED 30 JUNE 2017

To the shareholders of Distell Group Limited

The Audit Committee has the pleasure in submitting this report, as required in terms of the Companies Act (No. 71 of 2008).

COMPOSITION – the Committee comprises three independent non-executive directors, nominated by the Nomination Committee and the Board and appointed by the shareholders.

ATTENDANCE – the Committee meets at least four times per year and the Managing Director, Finance Director, external auditors, Chief Audit Executive and selected senior management are invited to attend the meetings.

DISCHARGING ITS RESPONSIBILITIES ON INTEGRATED REPORTING – governed by its board-approved charter, the Committee discharged its responsibilities by performing the following activities:

- reviewed and approved Distell's integrated report, annual financial statements, interim reports and other financial media releases and recommend final approval to the Board;
- reviewed the adequacy and effectiveness of the financial reporting process and the systems of internal control;
- reviewed the external auditor's report and representation letter signed by management;
- ensured compliance of published information with relevant legislation, reporting standards and good governance;
- considered any significant legal and tax matters that could have a material impact on the financial statements of the Group; and
- met separately with management, external audit and internal audit to discuss matters that the respective parties believed should be discussed privately for the Committee's consideration in satisfying itself that no material control weaknesses existed.

DISCHARGING ITS RESPONSIBILITIES ON EXTERNAL AUDIT – governed by its board-approved charter, the Committee discharged its responsibilities by performing the following activities:

- satisfied itself with the independence of the external auditor, approved the audit fee as well as the fees for non-audit services and nominated to the shareholders for appointment PricewaterhouseCoopers Inc. as the external auditor, and Mr Hein Doman as the designated auditor.

DISCHARGING ITS RESPONSIBILITIES ON INTERNAL AUDIT – governed by its board-approved charter, the Committee discharged its responsibilities by performing the following activities:

- oversaw the internal audit function and approved the annual audit plan;
- approved the internal audit and audit committee charters as well as the event matrix;
- evaluated the independence, resources, performance and effectiveness of the internal audit function;
- reviewed and considered the significant findings raised by the internal; audit as well as the adequacy of managements corrective actions; and
- received assurance on the adequacy of internal financial controls.

DISCHARGING ITS RESPONSIBILITIES ON GROUP FINANCE – governed by its board-approved charter, the Committee discharged its responsibilities by performing the following activities:

- as required by the JSE Listings Requirements, the Committee considered the experience and the expertise of the Distell's financial director, Mr Lucas Verway, and is satisfied that it is appropriate; and
- the Committee also reviewed and satisfied itself that the composition, experience and skills of the finance function is appropriate and meets the Group's requirements.

CE Secillano-Barredo

Audit committee chairperson

30 August 2017

REPORT OF THE BOARD OF DIRECTORS

for the year ended 30 June 2017

The board has pleasure in reporting on the activities and financial results for the year under review:

NATURE OF ACTIVITIES

The company is an investment holding company with interests in liquor-related companies.

The Group is South Africa's leading producer and marketer of wines, spirits, ciders and ready-to-drinks.

GROUP FINANCIAL REVIEW

Results

Year ended 30 June	2017 R'000	2016 R'000
Revenue	22 259 253	21 470 120
Operating profit	2 066 758	2 351 621
Attributable earnings	1 296 978	1 531 986
– Per share (cents)	591.4	699.4
Headline earnings	1 553 302	1 610 648
– Per share (cents)	708.3	735.3
Total assets	20 486 207	19 941 891
Total liabilities	(9 642 957)	(9 269 632)

The annual financial statements on pages 13 to 85 set out fully the financial position, results of operations and cash flows of the Group for the financial year ended 30 June 2017.

Pro-forma information –

Effect of foreign currencies

The results of the Group are significantly impacted by the change in foreign exchange rates as a result of:

- the translation of foreign operations to the reporting currency, and
- the translation of South African monetary assets and liabilities denominated in foreign currency to the reporting currency at year-end.

In the prior year the income of foreign subsidiaries was converted at an average ZAR/UK pound (GBP) exchange rate of R21.47 compared to R17.28 in the current year. Similarly, the average ZAR/Euro (EUR) strengthened from R16.09 to R14.85.

The Group therefore also discloses adjusted measures in order to indicate the Group's businesses performance excluding the effect of foreign currency fluctuations. These adjusted measures constitutes *pro forma* financial information.

The following methodology was applied in calculating the *pro forma* financial information:

- The income of foreign operations for the prior year was restated using the current year average exchange rates as mentioned above.
- Foreign exchange differences reported in the income statement (net of tax) were added back. The differences relate to realised foreign exchange gains and losses as well as the unrealised amounts on translation of monetary assets and liabilities denominated in foreign currencies to the reporting currency at year-end.

The *pro forma* financial information is the responsibility of the board of directors of the Company and is presented for illustrative purposes only. Because of its nature, the *pro forma* financial information may not fairly present the Group's financial position, changes in equity, result of operations or cash flows.

An assurance report (in terms of ISAE 3420: Assurance Engagements to Report on the Compilation of *Pro Forma* Financial Information) has been issued by the Group's auditors in respect of the *pro forma* financial information included below. The assurance report is available for inspection at the registered office of the Company.

	2017 R'000	2016 R'000
Headline earnings as reported	1 553 302	1 610 648
Adjusted for (net of taxation):		
– prior year restatement to current year average exchange rates	–	(42 636)
– less: taxation	–	12 151
– exclusion of effect of conversion of foreign currency monetary assets and liabilities to the reporting currency	65 573	(125 292)
– less: taxation	(18 688)	35 708
Headline earnings adjusted for currency movements	1 600 187	1 490 579
Basic earnings per share (cents)	591.4	699.4
Headline earnings per share (cents)	708.3	735.3
Headline earnings adjusted for currency movements per share (cents)	729.7	680.5
Earnings before interest, taxation, depreciation and amortisation (EBITDA)		
Profit before taxation	1 913 289	2 156 376
Adjusted for:		
– finance costs	220 006	260 788
– depreciation	393 555	343 581
– amortisation	45 867	28 116
EBITDA	2 572 717	2 788 861
Adjusted for:		
– impairment of PPE, intangible assets, investments and loss on sale of investments	315 299	80 155
Normalised EBITDA	2 888 016	2 869 016
Normalised EBITDA	2 888 016	2 869 016
Adjusted for:		
– prior year restatement to current year average exchange rates	–	(42 636)
– exclusion of effect of conversion of foreign currency monetary assets and liabilities to the reporting currency	65 573	(125 292)
Normalised EBITDA adjusted for currency movements	2 953 589	2 701 088
EBITDA per share (cents)	1 173.2	1 273.2
Normalised EBITDA per share (cents)	1 316.9	1 309.8
Normalised EBITDA adjusted for currency movements per share (cents)	1 346.8	1 233.2
Dividends		
Total dividends for the year (R'000)*	832 776	831 398
– Per share (cents)	379.0	379.0

*The final dividend of 214.0 cents (2016: 214.0 cents) per share was declared after year-end and was therefore not provided for in the annual financial statements. Refer to note 27 to the annual financial statements for payment details.

SUBSIDIARY COMPANIES AND INVESTMENTS

The Group acquired interests in the following companies during the current financial year:

Business combinations

- KWA Holdings E.A. Limited (Kenya) (additional 26.4%).
- Imported Premium Vodka Company Limited (75%).

Full details of these strategic investments are disclosed in note 33.

Particulars of subsidiary companies, associated companies and joint venture companies are disclosed in notes 39 to 41.

DIRECTORS

Mr DM Nurek retired as independent non-executive director and chairman of the board with effect from 24 November 2016. Mr JJ Durand succeeded Mr Nurek as chairman and Mr AC Parker was appointed as lead independent director, both with effect from 24 November 2016. Mr KA Hedderwick resigned as an independent non-executive director with effect from 14 February 2017. Mrs LM Mojela and Mr BJ van der Ross will retire as non-executive directors at the Company's annual general meeting to be held on 27 October 2017. The board thanks Mrs Mojela and Mr van der Ross for their contribution to the Company and wishes them well in their future endeavours.

SHARE SCHEMES

There were no changes to the Group's share schemes in the current financial year.

Refer to note 10 to the annual financial statements for full details on the Share Scheme as well as the Distell Equity Settled Share Appreciation Right Scheme (the SAR Scheme).

DIRECTORS' INTERESTS AND EMOLUMENTS

Particulars of the emoluments of directors and their interests in the issued share capital of the company and in contracts are disclosed in notes 34 to 36 to the annual financial statements.

EVENTS SUBSEQUENT TO STATEMENT OF FINANCIAL POSITION DATE

The directors are not aware of any matter or circumstance, other than the two matters referred to below, arising since the end of the financial year that would significantly affect the operations of the Group or the results of its operations.

1. Acquisition of 26% interest in Best Global Brands Limited (BGB)

In July 2017 the Group acquired 26% of the ordinary shares of BGB for USD54.6 million. The Group has also entered into an agreement to acquire the remaining 74% of the ordinary shares of BGB, which will become effective no earlier than the end of 2019 once certain operating hurdles are achieved and conditions precedent to closing are fulfilled or waived. More details are provided in note 38 to the financial statements.

2. Restructuring of the shareholding structure of Distell Group Limited

Distell currently has a multi-tiered ownership structure, in which Remgro Limited (Remgro) and Capevin Holdings Limited (Capevin) own a material interest via Remgro-Capevin Investments Proprietary Limited (RCI). Remgro and Capevin each hold 50% in RCI, and RCI has a 52.8% direct interest in Distell.

The board of directors have resolved, subject to a number of conditions, to simplify the multi-tiered shareholding structure of Distell through schemes of arrangement which are summarised below.

A new entity, Distell Group Holdings Limited (DGHL), will effectively acquire RCI's and all other shareholders' direct and indirect interest in Distell in exchange for shares directly in DGHL, which will be listed on the JSE Limited (JSE) and Distell will be delisted.

If implemented, the restructuring will:

- dismantle the multi-tiered ownership structure above Distell;
- leave Distell shareholders with exactly the same economic interest in DGHL;
- increase the free float in DGHL on the stock exchange operated by the JSE; and
- result in the control of DGHL vesting in Remgro (via one or more of its subsidiaries) through the prior issuance of unlisted voting B shares in DGHL to Remgro.

More details are provided in note 38 to the financial statements.

HOLDING COMPANY

The holding company of the Group is Remgro-Capevin Investments Proprietary Limited.

APPROVAL

The annual financial statements set out on pages 13 to 85 have been approved by the board.

Signed on behalf of the board of directors

JJ Durand
Chairman

RM Rushton
Group Managing Director

Stellenbosch
30 August 2017

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DISTELL GROUP LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Distell Group Limited (the Company) and its subsidiaries (together the Group) as at 30 June 2017, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Distell Group Limited's consolidated and separate financial statements set out on pages 13 to 85 comprise:

- the consolidated and separate statements of financial position as at 30 June 2017;
- the consolidated and separate income statements for the year then ended;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

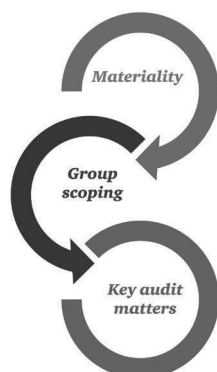
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the *Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B).

Our audit approach



Overall group materiality

- R95.6 million, which represents 5% of consolidated net profit before taxation.

Group audit scope

- Full scope audits were performed at all financially significant components and further audit and analytical review procedures were performed over the remaining balances and the consolidation process in order to gain sufficient evidence over the consolidated numbers.

Key Audit Matters

- Purchase price allocation of additional interest in KWA Holdings E.A. Limited; and
- Impairment of goodwill and intangible assets.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	R95.6 million
How we determined it	5% of consolidated net profit before taxation
Rationale for the materiality benchmark applied	We chose consolidated net profit before taxation as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-orientated companies.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Our scoping assessment included consideration of financially significant components, based on the indicators such as the contribution to consolidated assets, consolidated revenue and consolidated profit before tax, as well as sufficiency of work performed over material line items in the financial statements. Based on our assessment 15 components were scoped for full scope audits. In addition, the Group engagement team performed further audit and analytical review procedures over the remaining balances and the consolidation process in order to gain sufficient evidence over the consolidated numbers.

In establishing the overall approach to the Group audit, we determined the extent of the work that needed to be performed by us, as the Group engagement team, or by component auditors from other PwC network firms or other auditors operating under our instruction, in order to issue our audit opinion on the consolidated and separate financial statements of the Group. Detailed Group audit instructions were communicated to all component audit teams in scope. Throughout the audit, various calls and discussions were held with the component engagement teams of the significant components. Where the work was performed by component auditors, we determined the level of involvement necessary in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the group financial statements as a whole.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Consolidated financial statements

KEY AUDIT MATTER

Purchase price allocation of additional interest in KWA Holdings E.A. Limited

During the year, Distell Group Limited (“Distell”) acquired an additional interest of 26% in KWA Holdings E.A. Limited – an existing business in Kenya – increasing the group’s interest from 26% to 52% in the investee, as disclosed in note 33. Based on management’s assessment Distell now exercises control over the company, which gave rise to a business combination.

In terms of International Financial Reporting Standards (“IFRS”), a purchase price allocation needs to be performed and the total purchase consideration allocated to the tangible assets acquired, intangibles identified on acquisition and goodwill.

We considered this purchase price allocation of the transaction a matter of most significance to the current year audit because of the management judgement involved in allocating the purchase price to tangible and intangible assets identified in a business acquisition, and because the valuation of the intangibles involves management making assumptions and estimates.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

We obtained the purchase price allocation prepared by management with the assistance of an external valuation expert. Based on discussions with management, reading the purchase agreements and our understanding of the business and industry, we critically assessed the process followed for the identification of the assets and liabilities acquired. We also assessed the competence, capabilities and objectivity of the external valuation expert used by management.

With the assistance of our own valuation experts, we evaluated the valuation methodology adopted by management and we considered the methodology used by management to be acceptable. We also tested the mathematical accuracy of the valuation models for each of the significant intangible assets acquired. The underlying assumptions, including the discount rate, terminal growth rates and royalty relief rates used in management’s models were tested for reasonableness by benchmarking the assumptions to industry average rates and by recalculating the cost of capital of the company.

We agreed management’s cash flow forecast to approved budgets, compared the actual performance of the business against prior year’s budgets, and held discussions with management on the reasonability of the forecasts utilised and accepted management’s assessment.

KEY AUDIT MATTER

Impairment of goodwill and intangible assets

The Group's net assets included intangible assets of R1.9bn. As disclosed in note 6, the most significant elements of this balance are:

- Goodwill and indefinite life trademarks of R1.4bn relating to the acquisition of Distell International Limited (previously Burn Stewart Distillers) during 2013; and
- the Bisquit trademark of R196m that was acquired in 2009.

Management conducts annual impairment tests to assess the recoverability of the carrying value of goodwill and intangible assets with indefinite useful lives. Management recognised an impairment charge of R196m with respect to the Bisquit trademark.

The impairment assessment and impairment charge were considered a matter of most significance to the current year audit due to the magnitude of the goodwill and intangible asset balances in the statement of financial position, difficult economic trading conditions experienced in certain markets during the year, and the fact that impairment charges in this regard were raised in the past.

Management's assessment of the value-in-use for each Cash Generating Unit ("CGU") involves judgement about future results of the business and the discount rate applied to future cash flow forecasts.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

Using our valuation experts, we evaluated the valuation methodologies used by management in determining the recoverable amount of the CGUs and evaluated the reasonableness of management's discount rate by performing a recalculation thereof and benchmarking the cost of capital of the company against industry specific market information available for similar companies as well as considering territory specific factors. We also assessed the reasonableness of the long term growth rates applied by comparing them to the industry average long-term growth rates.

We assessed the projected future cash flows, operating margins and working capital requirements used in the models by understanding the process followed by management to determine these forecasts and agreeing the forecasted information to approved budgets and business plans. In order to test the robustness of management's projections and estimates, we compared the actual results for FY2017 to the FY2017 forecasts in the prior year budget and ensured that the forecasts are adjusted for any variances.

Volume growth rates were assessed by taking into account comparable market research information and the growth strategy for Bisquit and Distell International Limited.

In addition, we performed our own independent sensitivity calculations on the impairment assessments, to determine the degree by which the key assumptions (the discount rates, growth rates and volume growth) needed to change in order to trigger an impairment charge. We discussed these with management and considered the likelihood of such changes occurring, and accepted management conclusions that the key assumptions applied in the models were reasonable.

Based on the audit evidence inspected we agreed with management's conclusion that impairment of Bisquit's trademark is warranted.

Separate financial statements

We have determined that there are no key audit matters in respect of the separate financial statements.

Other information

The directors are responsible for the other information. The other information comprises the Integrated Report 2017 that includes the statement by the company secretary, the audit committee report, and the report of the board of directors as required by the Companies Act of South Africa. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and / or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Distell Group Limited for 29 years. The business of Distell Group Limited was previously transacted through Stellenbosch Farmers Winery Group Limited and Distillers Corporation SA Limited, of which based on available statutory records, PricewaterhouseCoopers Inc. and its predecessor firms have been the auditor for 72 years.

PricewaterhouseCoopers Inc.

Director: NH Dóman
Registered Auditor

Stellenbosch
30 August 2017

STATEMENTS OF FINANCIAL POSITION
AT 30 JUNE

		GROUP		COMPANY	
		2017 R'000	2016 R'000	2017 R'000	2016 R'000
	Notes	Restated			
ASSETS					
Non-current assets					
Property, plant and equipment	2	5 466 224	5 116 376	–	–
Loans and receivables	4	133 595	181 195	–	–
Available-for-sale financial assets	4	29 671	79 708	–	–
Investments in subsidiaries	5	–	–	2 828 517	2 734 880
Investments in associates	5	133 558	237 249	–	–
Investments in joint ventures	5	252 282	213 999	–	–
Intangible assets	6	1 921 925	2 004 191	–	–
Retirement benefit assets	14	380 963	343 420	–	–
Deferred income tax assets	15	173 897	136 031	2 507	–
Total non-current assets		8 492 115	8 312 169	2 831 024	2 734 880
Current assets					
Inventories	7	7 800 305	7 900 649	–	–
Trade and other receivables	8	2 982 470	2 659 749	–	–
Current income tax assets		28 197	36 922	–	–
Cash and cash equivalents	28.7	1 183 120	1 032 402	2 561	53
Total current assets		11 994 092	11 629 722	2 561	53
Total assets		20 486 207	19 941 891	2 833 585	2 734 933
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	10	752 610	749 506	752 614	752 611
Other reserves	11	1 329 406	1 912 259	137 515	137 515
Retained earnings	12	8 460 110	7 995 232	1 934 341	1 844 807
Attributable to equity holders of the company		10 542 126	10 656 997	2 824 470	2 734 933
Non-controlling interest		301 124	15 262	–	–
Total equity		10 843 250	10 672 259	2 824 470	2 734 933
Non-current liabilities					
Interest-bearing borrowings	13	3 567 180	1 200 000	–	–
Retirement benefit obligations	14	24 533	27 509	–	–
Deferred income tax liabilities	15	929 318	723 429	–	–
Total non-current liabilities		4 521 031	1 950 938	–	–
Current liabilities					
Trade and other payables	16	3 682 025	3 234 972	9 115	–
Interest-bearing borrowings	13	1 276 234	3 726 589	–	–
Provisions	17	89 227	321 781	–	–
Current income tax liabilities		74 440	35 352	–	–
Total current liabilities		5 121 926	7 318 694	9 115	–
Total equity and liabilities		20 486 207	19 941 891	2 833 585	2 734 933

INCOME STATEMENTS
FOR THE YEARS ENDED 30 JUNE

		GROUP		COMPANY	
	Notes	2017 R'000	2016 R'000	2017 R'000	2016 R'000
Revenue	18	22 259 253	21 470 120	938 231	873 234
Operating costs	19	(19 902 578)	(19 040 418)	(8 959)	(2)
Costs of goods sold		(14 901 125)	(13 767 664)	–	–
Sales and marketing costs		(2 881 709)	(3 211 513)	–	–
Distribution costs		(1 168 220)	(1 087 991)	–	–
Administration and other costs		(951 524)	(973 250)	(8 959)	(2)
Other gains and losses	20	(289 917)	(78 081)	–	–
Operating profit		2 066 758	2 351 621	929 272	873 232
Dividend income	21	7 163	7 501	–	–
Finance income	22	69 290	21 002	–	–
Finance costs	23	(289 296)	(281 790)	–	–
Share of equity-accounted earnings	24	59 374	58 042	–	–
Profit before taxation		1 913 289	2 156 376	929 272	873 232
Taxation	25	(616 486)	(624 485)	2 507	–
Profit for the year		1 296 803	1 531 891	931 779	873 232
Attributable to:					
Equity holders of the company		1 296 978	1 531 986	931 779	873 232
Non-controlling interest		(175)	(95)	–	–
		1 296 803	1 531 891	931 779	873 232
Earnings per ordinary share (cents)	26				
Basic		591.4	699.4		
Diluted		590.6	697.1		

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED 30 JUNE

	Notes	GROUP		COMPANY	
		2017 R'000	2016 R'000	2017 R'000	2016 R'000
Profit for the year		1 296 803	1 531 891	931 779	873 232
Other comprehensive income (net of taxation)					
Items that may be reclassified subsequently to profit or loss:					
Fair value adjustments					
– available-for-sale financial assets	11	(2 668)	(17 319)	–	–
Currency translation differences	11	(565 307)	242 494	–	–
Fair value adjustments of cash flow hedges	11	(9 115)	–	–	–
Items that will not be reclassified to profit or loss:					
Remeasurements of post-employment benefits	11	43 703	82 464	–	–
Share of other comprehensive income of associates	5	(2 342)	(1 003)	–	–
Other comprehensive losses		(535 729)	306 636	–	–
Total comprehensive income for the year		761 074	1 838 527	931 779	873 232
Attributable to:					
Equity holders of the company		760 109	1 838 755	931 779	873 232
Non-controlling interest		965	(228)	–	–
		761 074	1 838 527	931 779	873 232

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 30 JUNE

	Notes	Attributable to equity holders					Non-control-ling interest R'000	Total equity R'000
		Share capital and premium R'000	Treasury shares R'000	Other reserves R'000	Retained earnings R'000	Total R'000		
Group 2017								
Balance at 1 July 2016		752 611	(3 105)	1 912 259	7 995 232	10 656 997	15 262	10 672 259
Comprehensive income								
Profit for the year		–	–	–	1 296 978	1 296 978	(175)	1 296 803
Other comprehensive income (net of taxation)								
Fair value adjustments:								
– available-for-sale financial assets	11	–	–	(2 668)	–	(2 668)	–	(2 668)
Cash flow hedge of foreign exchange transactions	11	–	–	(9 115)	–	(9 115)	–	(9 115)
Currency translation differences	11	–	–	(566 447)	–	(566 447)	1 140	(565 307)
Remeasurements on post-employment benefits	11	–	–	43 703	–	43 703	–	43 703
Share of other comprehensive income of associates	5	–	–	(2 342)	–	(2 342)	–	(2 342)
Total other comprehensive losses		–	–	(536 869)	–	(536 869)	1 140	(535 729)
Total comprehensive income for the year		–	–	(536 869)	1 296 978	760 109	965	761 074
Transactions with owners								
Employee share scheme:								
– proceeds from ordinary shares issued	10	3	(3)	–	–	–	–	–
– shares paid and delivered	10	–	3 104	–	–	3 104	–	3 104
– value of employee services		–	–	53 595	–	53 595	–	53 595
– settlement in cash				(38 031)	–	(38 031)	–	–
Sale of interest to non-controlling interest	33	–	–	(1 350)	–	(1 350)	(6 564)	(7 914)
Dividends paid	28.4	–	–	–	(832 100)	(832 100)	(2 024)	(834 124)
Total contributions by and distributions to owners		3	3 101	14 214	(832 100)	(814 782)	(8 588)	(823 370)
Redemption reserve for forward transactions	11	–	–	(37 340)	–	(37 340)	–	(37 340)
Non-controlling interest arising on business combination	33	–	–	–	–	–	230 324	230 324
Contribution by non-controlling interest		–	–	–	–	–	40 303	40 303
Changes in ownership interests in subsidiaries that do not result in a loss of control								
Transactions with non-controlling interests		–	–	(22 858)	–	(22 858)	22 858	–
Total transactions with owners		3	3 101	(45 984)	(832 100)	(874 980)	284 897	(590 083)
Balance at 30 June 2017		752 614	(4)	1 329 406	8 460 110	10 542 126	301 124	10 843 250
2016								
Balance at 1 July 2015		752 607	(11 462)	1 559 216	7 236 753	9 537 114	19 283	9 556 397
Comprehensive income								
Profit for the year		–	–	–	1 531 986	1 531 986	(95)	1 531 891
Other comprehensive income (net of taxation)								
Fair value adjustments:								
– available-for-sale financial assets	11	–	–	(17 319)	–	(17 319)	–	(17 319)
Currency translation differences	11	–	–	242 627	–	242 627	(133)	242 494
Remeasurements on post-employment benefits	11	–	–	82 464	–	82 464	–	82 464
Share of other comprehensive income of associates	5	–	–	(1 003)	–	(1 003)	–	(1 003)
Total other comprehensive income		–	–	306 769	–	306 769	(133)	306 636
Total comprehensive income for the year		–	–	306 769	1 531 986	1 838 755	(228)	1 838 527

Attributable to equity holders								
	Notes	Share capital and premium R'000	Treasury shares R'000	Other reserves R'000	Retained earnings R'000	Total R'000	Non-control-ling interest R'000	Total equity R'000
Transactions with owners								
Employee share scheme:								
– proceeds from ordinary shares issued	10	4	(4)	–	–	–	–	–
– shares paid and delivered	10	–	8 361	–	–	8 361	–	8 361
– value of employee services		–		46 274		46 274		46 274
Dividends paid	28.4	–	–	–	(773 507)	(773 507)	(3 793)	(777 300)
Total transactions with owners		4	8 357	46 274	(773 507)	(718 872)	(3 793)	(722 665)
Balance at 30 June 2016		752 611	(3 105)	1 912 259	7 995 232	10 656 997	15 262	10 672 259

		Attributable to equity holders			
	Notes	Share capital and premium R'000	Other reserves R'000	Retained earnings R'000	Total R'000
Company 2017					
Balance at 1 July 2016		752 611	137 515	1 844 807	2 734 933
Comprehensive income					
Profit for the year		–	–	931 779	931 779
Total comprehensive income for the year		–	–	931 779	931 779
Transactions with owners					
Proceeds of ordinary shares issued	10	3	–	–	3
Dividends paid	28.4	–	–	(842 245)	(842 245)
Total transactions with owners		3	–	(842 245)	(842 242)
Balance at 30 June 2017		752 614	137 515	1 934 341	2 824 470
2016					
Balance at 1 July 2015		752 607	137 515	1 754 922	2 645 044
Comprehensive income					
Profit for the year		–	–	873 232	873 232
Total comprehensive income for the year		–	–	873 232	873 232
Transactions with owners					
Proceeds of ordinary shares issued	10	4	–	–	4
Dividends paid	28.4	–	–	(783 347)	(783 347)
Total transactions with owners		4	–	(783 347)	(783 343)
Balance at 30 June 2016		752 611	137 515	1 844 807	2 734 933

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 30 JUNE

	Notes	GROUP		COMPANY	
		2017 R'000	2016 R'000	2017 R'000	2016 R'000
Cash flows from operating activities					
Operating profit		2 066 758	2 351 621	929 272	873 232
Non-cash flow items	28.1	910 419	857 954	(95 986)	(89 887)
Working capital changes	28.2	(315 504)	(729 136)	9 115	–
Cash generated from operations		2 661 673	2 480 439	842 401	783 345
Dividend income	21	7 163	7 501	–	–
Finance income		27 371	21 002	–	–
Finance costs		(331 589)	(264 968)	–	–
Taxation paid	28.3	(500 341)	(617 204)	–	–
Net cash generated from operating activities		1 864 277	1 626 770	842 401	783 345
Cash flows from investment activities					
Purchases of property, plant and equipment (PPE) to maintain operations	28.5	(327 784)	(425 686)	–	–
Purchases of PPE to expand operations	28.6	(477 775)	(612 867)	–	–
Proceeds from sale of PPE		56 698	19 787	–	–
Purchases of financial assets		(5 651)	(4 577)	–	–
Proceeds from financial assets		57 919	63 346	297 501	2 195
Purchases of associates and joint ventures		(6 377)	(48 380)	–	–
Purchases of intangible assets		(89 113)	(83 047)	–	–
Proceeds from disposal of subsidiaries	33	20 541	–	–	–
Acquisition of subsidiaries, net of cash acquired	33	(178 096)	–	(295 152)	(2 144)
Cash outflow from investment activities		(949 638)	(1 091 424)	2 349	51
Cash flows from financing activities					
Proceeds from ordinary shares issued		3 104	8 361	3	4
Employee share options settled in cash	11	(38 031)	–	–	–
Proceeds from interest-bearing borrowings		146 052	69 259	–	–
Shares issued for cash to minority in subsidiary		40 303	–	–	–
Dividends paid to company's shareholders	28.4	(832 100)	(773 507)	(842 245)	(783 347)
Cash outflow from financing activities		(680 672)	(695 887)	(842 242)	(783 343)
Increase in net cash, cash equivalents and bank overdrafts		233 967	(160 541)	2 508	53
Cash, cash equivalents and bank overdrafts at the beginning of the year		102 402	230 868	53	–
Exchange losses on cash, cash equivalents and bank overdrafts		(33 493)	32 075	–	–
Cash, cash equivalents and bank overdrafts at the end of the year	28.7	302 876	102 402	2 561	53

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of preparation

The annual consolidated and separate financial statements of Distell Group Limited are prepared in accordance with and comply with International Financial Reporting Standards (IFRS) and the IFRS Interpretations Committee (IFRS IC), and the SAICA Financial Reporting Guides as issued by SAICA's Accounting Practices Committee (APC) and the South African Companies Act (No. 71 of 2008). The annual financial statements are prepared on the historical cost convention, as modified by the revaluation of certain financial instruments.

Standards and amendments applicable to the Group effective for the first time:

- Amendments to IAS 1: Presentation of Financial Statements – disclosure initiative on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies (effective 1 January 2016)
- Amendments to IAS 16: Property, Plant and Equipment and IAS 38: Intangible Assets – on depreciation and amortisation (effective 1 January 2016)
- Amendments to IAS 16: Property, Plant and Equipment and IAS 41: Agriculture – Classification on bearer plants (effective 1 January 2016)
- Amendments to IAS 27: Separate Financial Statements – on equity accounting (effective 1 January 2016)

Standards, interpretations and amendments to published standards that are not yet effective

Management considered all new accounting standards, interpretations and amendments to IFRS that were issued prior to 30 June 2017, but not yet effective on that date. Management is in the process of assessing the impact of these standards, interpretations and amendments on the reported results of the Group.

The standards that are applicable to the Group, but that were not implemented early, are the following:

- Amendments to IAS 12: Income Taxes – issued to clarify the requirements for recognising deferred tax assets on unrealised losses (effective 1 January 2017)
- Amendments to IAS 7: Cash Flow Statements (effective 1 January 2017)
- Amendments to IFRS 2: Classification of share-based payment transactions (effective 1 January 2018)
- Amendments to IFRS 10: Consolidated Financial Statements and IAS 28: Investments in Associates and Joint Ventures – on sale or contribution of assets (effective date postponed)
- Annual Improvements 2014 – 2016 cycle (effective 1 January 2018)
- Amendments to IFRS 16: Leases (effective 1 January 2019)

The new standard for leases, IFRS 16, requires a lessee to recognise a right-of-use asset and corresponding lease liability on the balance sheet for almost all lease contracts. Currently operating lease expenses are charged to the income statement on a straight-line basis over the term of the lease. The Group leases various farming land, warehouses, machinery, equipment and vehicles under operating lease agreements. Note 19.5 sets out details of operating lease expenses paid during the year. Management still has to perform a detailed analysis of all lease contracts on an individual basis, but it is expected that as a minimum the Group will have to capitalise right-of-use assets of about R300 million, being the net present value of future minimum lease payments under non-cancellable leases as set out in note 30 to the financial statements. The remainder of the lease expenses relates to short-term leases and low-value assets. Apart from the right-of-use asset and lease liability being recognised on the statement of financial position, the effect of the change in the standard would be a reduction in the operating lease expenses in the income statement, and an increase in depreciation charges (on the right-of-use asset) and finance cost (interest expense of the lease liability). The impact of these cannot be quantified at this stage.

- Amendments to IFRS 15: Revenue from Contracts with Customers (effective 1 January 2018)

Under IFRS 15 revenue needs to be recognised at a point in time or over time depending on the performance obligations linked to separate elements of the contract with the customer. The Group's revenue consists mostly of sales of liquor products delivered to customers at the point-

of-sale and does not have multiple element arrangements included in it. It is therefore expected that the timing and measurement of the Group's revenue will not change as a result of the implementation of IFRS 15. Management however still has to perform a detailed analysis of all revenue contracts to assess each individually.

- Amendments to IFRS 9: Financial Instruments – on financial liabilities, derecognition of financial instruments, financial assets and general hedge accounting (effective 1 January 2018)

Although IFRS 9 changes the classification of certain financial instruments, the measurement of the Group's financial assets and liabilities is expected to be unchanged under the new principles. Trade receivables, loans and other receivables are all held to collect principle and interest only and will continue to be measured at amortised cost in future. Similarly, borrowings and trade and other payables will continue to be measured at amortised cost. The Group has only a small amount of available-for-sale equity instruments – currently measured at fair value through other comprehensive income – and the intention is to also choose the fair value through other comprehensive income option under IFRS 9. Derivatives will remain at fair value through profit or loss. The Group does not expect that the new expected credit loss impairment model would significantly change the provision for impairment of trade receivables since the amounts are not material to the Group.

1.2 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future and these accounting estimates are an integral part of the preparation of financial statements. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

a) *Estimated impairment of goodwill and intangible assets*

The Group tests annually whether goodwill and the intangible assets with indefinite useful lives have suffered any impairments, in accordance with the accounting policy stated in note 1.9. The recoverable amounts of cash-generating units are determined as being the higher of the value-in-use or fair value less costs to sell. Calculation of these amounts requires the use of estimates. Further details are provided in note 6.

b) *Income taxes*

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax assets and liabilities in the period in which such determination is made.

c) *Retirement benefits*

The present value of the pension obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost/(income) for pension include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash flows expected to be required to settle the pension obligations. In determining the appropriate discount rate the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

Other key assumptions for pension obligations are based in part on current market conditions. Further details are provided in note 14.

d) *Impairment of available-for-sale financial assets*

The Group follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement the Group evaluates, among factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, and operational and financing cash flow.

e) *Business combinations*

Where the Group acquires control of another business the consideration transferred has to be allocated to the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquired business, with any residual recorded as goodwill. This process involves management making an assessment of the fair value of these items. Management's judgement is particularly involved in the recognition and measurement of the following items:

- Intellectual property, which includes patents, licences, trademarks and similar rights for currently marketed products.
- Contingencies such as legal and environmental matters.
- The recoverability of any accumulated tax losses previously incurred by the acquired company.

In all cases management makes an assessment based on the underlying economic substance of the items concerned, and not only on the contractual terms, in order to fairly present these items.

f) *Property, plant and equipment*

It is necessary for the Group to make use of judgement when determining the useful life of the property, plant and equipment. Further details are provided in note 2.

g) *Consolidation of entities where the Group holds less than 50% shareholding*

The Group is one of the two largest shareholders in Mirma Products Proprietary Limited with a 45% equity interest. The Group buys more than 98% of the total product produced by Mirma Products. There is no history of other shareholders forming a group to exercise their votes collectively. Based on the absolute size of the Group's shareholding, as well as the business model of Mirma Products Proprietary Limited, management has concluded that the Group has sufficiently dominant interest to have the power to direct the relevant activities of the entity. Refer to note 39.

1.3 **Basis of consolidation**

Subsidiaries

Subsidiaries are all entities (including structured entities) which are, directly or indirectly, controlled by the Group. Control is established where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which effective control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

If the business combination is achieved in stages the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement. Transactions with owners are recognised in equity only when control is not lost.

Intercompany transactions, balances, income and expenses on transactions between Group companies are eliminated. Unrealised gains and losses resulting from intercompany transactions

that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The investments of Distell Group Limited in the ordinary shares of its subsidiaries, South African Distilleries and Wines (SA) Limited, Distell Beverages (RF) Proprietary Limited and Distell International Holdings Limited, are carried at cost less impairment losses in the separate financial statements.

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Associates

Associates are all entities over which the Group has significant influence, generally accompanying a shareholding of between 20% and 50% of the voting rights, and over which the Group exercises significant influence, but which it does not control. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income, with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and recognises the amount adjacent to 'share of equity-accounted earnings of an associate' in the income statement.

Unrealised gains and losses resulting from intercompany transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising on investment in associates are recognised in the income statement.

Joint ventures

The Group applies IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures, depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed, where necessary, to ensure consistency with the policies adopted by the Group.

1.4 Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are prepared in South African rand (R) which is the company's functional and the Group's presentation currency.

Foreign Group entities

The results and the financial position of all Group entities that have a functional currency that is different from the presentation currency of the Group are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position.
- Income and expenses for each income statement presented are translated at the average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions).
- All resulting exchange differences are recognised in other comprehensive income as part of a foreign currency translation reserve (FCTR).
- On consolidation, exchange rate differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, if applicable, are also taken to the FCTR. When a foreign operation is sold all related exchange rate differences that were recorded in the FCTR are recognised in the income statement as part of the profit or loss on sale. When a partial disposal takes place the FCTR is proportionately reattributed to the non-controlling shareholders in terms of IAS 21. The Group's net investment in a subsidiary or joint venture is equal to the equity investment plus all monetary items that are receivable from or payable to the subsidiary or joint venture, for which settlement is neither planned nor likely to occur in the foreseeable future.
- Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the income statement within 'other gains and losses'.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amounts are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are recorded in other comprehensive income.

1.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (executive management team). Operating segments are individual components of an entity that engage in business activities from which it may earn revenues and incur expenses, and whose operating results are regularly reviewed by the entity's chief operating decision-maker and for which discrete financial information is available. Operating segments which display similar economic characteristics are aggregated for reporting purposes.

1.6 Property, plant, equipment and grapevines

Property, plant, equipment and grapevines are tangible assets held by the Group for use in manufacturing and distribution of its products and are expected to be used during more than one period. All property, plant, equipment and grapevines are stated at historical costs less subsequent depreciation and accumulated impairment. The historical cost includes all expenditure that is directly attributable to the acquisition of the property, plant, equipment and grapevines and the costs of dismantling and preparing the site for grapevines and is depreciated on a straight-line basis, from the date that assets are available for use, at rates appropriate to the various classes of assets involved, taking into account the estimated useful life and residual values of the individual items. Grapevines are measured at accumulated costs until maturity, similar to the accounting for a self-constructed item of property, plant and equipment. Land is not depreciated as it is deemed to have an unlimited useful life. Improvements to leasehold properties are recognised as property, plant and equipment when it is probable that future economic benefits will flow to the Group. Improvements to leasehold properties are shown at cost and written off over the remaining period of the lease. Assets under construction is defined as assets still in the construction phase and not yet available for use. These assets are carried at initial cost and are not depreciated. Depreciation on these assets commences when they become available for use and depreciation periods are based on management's assessment of their useful lives.

Management determines the estimated useful lives and the related depreciation charges at acquisition.

Useful lives:

Buildings	5 – 60 years
Stainless steel tanks	3 – 45 years
Other machinery and barrels	2 – 45 years
Equipment and vehicles	2 – 33 years
Grapevines	20 years
Capitalised finance lease vehicles	4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, to the extent that it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is calculated as the higher of the asset's fair value less cost to sell and the value in use. Also refer to note 1.9 for impairment of non-financial assets.

Gains and losses on disposal or scrapping of property, plant and equipment, being the difference between the net proceeds on disposals or scrapings and the carrying amount, are recognised in the income statement within 'other gains and losses'.

1.7 Biological assets

Grapes harvested from the Group's grapevines are measured at its fair value less cost to sell at the point of harvest. Such measurement is the cost at that date when transferring the harvest produce to inventory.

The adoption of the revised IAS 16: Property, Plant and Equipment and IAS 41: Agriculture has resulted in grapevines being reclassified from biological assets to property, plant and equipment in the statement of financial position.

1.8 Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in the fair value of the net identifiable assets of the acquired subsidiaries at the date of acquisition. Goodwill on acquisition of subsidiaries is included in 'intangible assets'. Goodwill on acquisition of associates and joint ventures is included in 'investments in associates' or 'investments in joint ventures' and is tested for impairment as part of the overall balance. Goodwill denominated in a foreign currency is translated at closing rates.

Trademarks

Separately acquired trademarks are shown at historical cost. Trademarks that have a finite useful life are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks over their estimated useful lives. Trademarks are deemed as having an indefinite useful life when there is no foreseeable limit on the time the trademarks are expected to provide future cash flows. Trademarks that are deemed to have an indefinite useful life are carried at cost less accumulated impairment losses and tested annually for impairment.

Industrial property rights

Industrial property rights are intangible assets held by the Group for use in manufacturing and distribution of its products and are expected to be used during more than one period. All industrial property rights are stated at historical costs less subsequent amortisation and accumulated impairment. The historical cost includes all expenditure that is directly attributable to the acquisition of the industrial property rights and is depreciated on a straight-line basis, from the date that assets are available for use, over 60 years, taking into account the residual values.

Computer software

Acquired computer software (which is not an integral part of computer hardware) and software licences and the direct costs associated with the development and installation thereof are capitalised.

Costs associated with developing or maintaining software are recognised as an expense when incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use it or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee cost and an appropriate portion of relevant overheads.

Computer software is depreciated on the straight-line method over its estimated useful life (three to five years) when available for use.

1.9 Impairment of non-financial assets

Assets that have an indefinite useful life – or intangible assets not ready for use – are not subject to amortisation and are tested for impairment annually. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the full carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units (CGUs)). Non-financial assets, other than goodwill, that suffered impairment are reviewed for possible reversal of impairment at each reporting date.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

1.10 Financial assets

Classification

The Group classifies its financial assets in the following categories:

- Financial assets at fair value through profit and loss
- Loans and receivables
- Available-for-sale financial assets

The classification is dependent on the purpose for which the financial asset was acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held-for-trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months of the end of the reporting period.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the end of the reporting period.

Recognition and measurement

Regular purchases and sales of investments are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale investments and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of the ‘financial assets at fair value through profit or loss’ category are presented in the income statement within ‘other gains and losses’ in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of dividend income when the Group’s right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences in monetary securities are recognised in profit or loss, and translation differences on non-monetary securities are recognised in other comprehensive income. Changes in the fair value of monetary securities classified as available-for-sale and non-monetary securities classified as available-for-sale are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as ‘other gains and losses’. Interest on available-for-sale securities calculated using the effective interest rate method is recognised in the income statement within ‘finance income’. Dividends on available-for-sale equity instruments are recognised in the income statement when the Group’s right to receive payments is established.

Offsetting financial instruments

Financial assets and liabilities are off-set and the net amount reported in the statement of financial position when there is a legally enforceable right to off-set the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the

normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

Impairment of financial assets

Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The Group first assesses whether objective evidence of impairment exists.

For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to in 'Assets carried at amortised cost' above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

Impairment testing of trade receivables is described in note 1.16.

1.11 Derivative financial instruments and hedging activities

The Group is party to financial instruments that reduce exposure to fluctuations in foreign currency exchange and interest rates. These instruments mainly comprise forward foreign exchange contracts. The purpose of these instruments is to reduce risk.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

Interest rate swaps are taken out to hedge variable rate bank borrowings and are accounted for as cash flow hedges. The gain or loss relating to the effective portion of these interest rate swaps' hedging of variable rate borrowings is recognised in the income statement within 'Finance costs'.

1.12 Financial guarantees

Financial guarantee contracts are recognised initially at fair value and subsequently at the higher of the amount in accordance with IAS 37 and the amount initially recorded, less appropriate cumulative amortisation recognised in accordance with IAS 18.

1.13 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the company's subsidiaries, joint ventures and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is provided in full at currently enacted or substantially enacted tax rates using the liability method. Provision is made for all temporary differences arising between the taxation bases of assets and liabilities and their statement of financial position carrying values.

No deferred income tax is accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Management applies judgement to determine whether sufficient future taxable profit will be available after considering, amongst others, factors such as profit history, forecasted cash flows and budgets.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that it will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates.

Deferred income tax assets and liabilities are off-set when there is a legally enforceable right to off-set current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Taxation rates

The normal South African company tax rate used for the year ending 30 June 2017 is 28% (2016: 28%). Deferred tax assets and liabilities for South African entities at 30 June 2017 have been calculated using the 28% (2016: 28%) rate, being the rate that the Group expects to apply to the periods when the assets are realised or the liabilities are settled. Capital gains tax is calculated as 80% (2016: 66,6%) of the company tax rate. International tax rates vary from jurisdiction to jurisdiction.

Dividend withholding tax (DWT)

Shareholders are subject to DWT on dividends received, unless they are exempt in terms of the amended tax law. DWT is levied at 20% (2016: 15%) of the dividend received. The DWT is categorised as a withholding tax as the tax is withheld and paid to tax authorities by the company paying the dividend or by a regulated intermediary and not the beneficial owner of the dividend.

1.14 Leases

The Group leases certain property, plant and equipment. Capitalised leased assets are assets leased in terms of finance lease agreements where the Group has substantially all the risks and rewards of ownership. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased item or the present value of the minimum lease payments. Depreciation is provided on the straight-line method over the shorter of the lease term and its estimated useful life. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Leases of assets in terms of which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the lease term.

1.15 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the first-in first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity), but excludes borrowing cost.

Net realisable value is the estimated selling price in the ordinary course of business, less the applicable costs of completion and selling expenses.

1.16 Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. Fair value is determined as the estimated future cash flows discounted at a market-related interest rate.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of the expected cash flows, discounted at the original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement within 'operating expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'operating costs' in the income statement.

1.17 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are included in current interest-bearing borrowings in the statement of financial position.

1.18 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from proceeds, net of taxation.

Where entities controlled by the Group purchase the company's shares, the consideration paid, including attributable transaction costs net of income taxes, is deducted from total shareholders' equity as treasury shares until they are sold or cancelled. Where such shares are subsequently sold, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders. Dividends received on treasury shares are eliminated on consolidation.

1.19 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

1.20 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method. Borrowings are classified as current liabilities unless the

Group has the unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. When funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount to be capitalised is the actual borrowing costs, less any temporary investment income on those borrowings. General borrowing costs are capitalised by calculating the weighted average expenditure on the qualifying asset and applying a weighted average borrowing rate to the expenditure.

The borrowing costs capitalised do not exceed the total borrowing costs incurred. The capitalisation of borrowing costs commences when expenditures for the asset have occurred, borrowing costs have been incurred or when activities that are necessary to prepare the asset for its intended use or sale, are in progress. Capitalisation is suspended during extended periods in which active development is interrupted. Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in profit or loss in the period in which they are incurred.

1.21 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation, as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

1.22 Employee benefits

Retirement funds

The Group provides pension, retirement or provident fund benefits to all permanent employees.

The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined-contribution and defined-benefit plans.

A defined-contribution plan is a plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group's contributions to defined-contribution plans in respect of services rendered in a particular period are recognised as an expense in that period. Additional contributions are recognised as an expense in the period during which the associated services are rendered by employees.

A defined-benefit plan is a plan that is not a defined-contribution plan. This plan defines an amount of pension benefit an employee will receive on retirement, dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined-benefit pension plans is the present value of the defined-benefit obligation at the end of the reporting period less the fair value of plan assets. The defined-benefit obligation is actuarially valued every three years and reviewed every year by independent actuaries using the projected unit credit method. The present value of the defined-benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

Current service costs are recognised immediately in the income statement.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past service costs are recognised immediately in the income statement.

Post-retirement medical benefits

The Group provides for actuarially determined future medical benefits of employees who remained in service up to retirement age and completing a minimum service period. The expected costs of these benefits are accrued over the period of employment based on past services. This post-retirement medical benefit obligation is measured as the present value of the estimated future cash outflows based on a number of assumptions. These assumptions include, amongst others, healthcare cost inflation, discount rates, salary inflation and promotions and experience increases, expected retirement age and continuation at retirement. Valuations of this obligation are carried out every year by independent qualified actuaries, in respect of past service liabilities and actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions, charged or credited to equity in other comprehensive income in the period in which they arise. The projected unit credit method is used to determine the present value of the post-retirement medical benefit obligation.

Share-based compensation

The Group grants scheme shares/share appreciation rights (SARs) to its employees under an equity-settled share incentive scheme through The Distell Group Share Trust, as well as an equity-settled share appreciation right scheme (SAR scheme).

A share or SAR scheme is considered equity settled when it is settled by an issue of a Distell Group Limited share. The share trust deed and the SAR rules, as appropriate, indicates whether it is to be settled by the issue of Distell Group shares or not.

The fair value of the employee services received in exchange for the grant of the scheme shares/SARs is recognised as an expense over the vesting period. The fair value is determined at grant date with reference to the fair value of the scheme shares/SARs granted, including any market performance conditions and excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period), as well as including the impact of any non-vesting conditions (for example, the requirement for employees to save). Non-market vesting conditions are included in assumptions about the number of scheme shares/SARs that are expected to vest. At each statement of financial position date, the entity revises its estimates of the number of scheme shares/SARs that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement and a corresponding adjustment to equity over the remaining vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the scheme shares/SARs are exercised.

The grant by the company of scheme shares/SARs relating to its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent's accounts.

Long-service awards

Long-service awards are provided to employees who achieve certain predetermined milestones of service within the Group. The Group's obligation is valued by independent qualified professionals at year-end and the corresponding liability is raised. Costs incurred are set off against the liability. Movements in the liability, including notional interest, resulting from the valuation are charged against the income statement upon valuation. The projected unit credit method is used to determine the present value of the long-service awards obligation.

Bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

1.23 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities, including excise duty, but net of value added tax (VAT), general sales taxes (GST), rebates and discounts, and after eliminating sales within

the Group. The Group recognises revenue when the amount of revenue can be reliably measured and when it is probable that the future economic benefits will flow to the entity.

Excise duty is not directly related to sales, unlike value added tax. It is not recognised as a separate item on invoices. Increases in excise duty are not always directly passed on to customers and the Group cannot reclaim the excise duty where customers do not pay for products received. The Group considers excise duty as a cost to the Group and reflects it in 'cost of goods sold' and consequently any excise duty that is recovered in the sales price is included in revenue.

Revenue is recognised as follows:

- **Cash sales of goods** are recognised upon delivery of products and customer acceptance and collectibility of the related receivable is reasonably assured.
- **Sales of services** are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.
- **Interest income** is recognised on a time-proportion basis using the effective interest rate method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.
- **Dividend income** is recognised when the shareholder has an irrevocable right to receive payment.

1.24 Earnings per share

Earnings and headline earnings per share are calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year, excluding the ordinary shares held by the Group as treasury shares.

For the diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all ordinary shares with dilutive potential. Scheme shares and SARs have dilutive potential. For the scheme shares/SARs a calculation is done to determine the number of shares that could have been acquired, at the closing market price, based on the monetary value of subscription rights attached to outstanding scheme shares/SARs in order to determine the 'bonus' element; the 'bonus' shares are added to the ordinary shares in issue. No adjustment is made to net profit, as the scheme shares/SARs have no income statement effect.

1.25 Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the company's shareholders.

1.26 Non-current assets held for sale

Non-current assets held for sale are classified as assets held for sale and are stated at the lower of the carrying amount and fair value, less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continued use.

1.27 Related parties

Individuals or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel are defined as all directors of Distell Limited, the main operating company of the Group.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. PROPERTY, PLANT AND EQUIPMENT

	Properties R'000	Machinery, tanks and barrels R'000	Equipment and vehicles R'000	Biological assets R'000	Assets under construction R'000	Total R'000
2017						
Opening balance	1 697 868	2 775 683	264 676	100 866	277 283	5 116 376
Additions	108 284	446 008	69 699	12 266	169 302	805 559
Disposal of subsidiary (note 33)	(29 460)	(155)	(233)	(14 164)	–	(44 012)
Disposals	(6 063)	(13 350)	(2 436)	(9 467)	–	(31 316)
Acquisition of subsidiaries (note 33)	115 881	77 967	5 216	–	–	199 064
Transfers	21 535	219 104	1 164	–	(241 803)	–
Exchange differences	(45 475)	(75 657)	365	–	965	(119 802)
Impairment	(35 884)	(28 421)	(1 785)	–	–	(66 090)
Depreciation	(14 786)	(325 237)	(44 180)	(9 352)	–	(393 555)
	1 811 900	3 075 942	292 486	80 149	205 747	5 466 224
At cost	1 998 441	5 594 595	556 073	88 607	205 747	8 443 463
Accumulated depreciation and impairment	(186 541)	(2 518 653)	(263 587)	(8 458)	–	(2 977 239)
Net carrying value	1 811 900	3 075 942	292 486	80 149	205 747	5 466 224
2016						
Opening balance	1 647 300	2 228 743	200 436	–	275 486	4 351 965
As previously reported	–	–	–	100 866	–	100 866
Additions	109 938	743 096	105 943	–	77 790	1 036 767
Disposals	(5 264)	(10 729)	(1 345)	–	(368)	(17 706)
Reclassification to intangible assets	(46 696)	–	–	–	–	(46 696)
Transfers	1 354	74 759	(488)	–	(75 625)	–
Exchange differences	4 601	31 733	(1 573)	–	–	34 761
Depreciation	(13 365)	(291 919)	(38 297)	–	–	(343 581)
	1 697 868	2 775 683	264 676	100 866	277 283	5 116 376
At cost	1 825 838	4 971 204	490 510	100 866	277 283	7 665 701
Accumulated depreciation and impairment	(127 970)	(2 195 521)	(225 834)	–	–	(2 549 325)
Net carrying value	1 697 868	2 775 683	264 676	100 866	277 283	5 116 376

Included in equipment and vehicles are capitalised finance lease vehicles with a net carrying value of Rnil (2016: R0.1 million) (note 13).

Depreciation of R294.8 million (2016: R248.6 million) is included in “cost of goods sold”, R32.2 million (2016: R26.6 million) in “sales and marketing costs”, R16.9 million (2016: R35.5 million) in “distribution costs” and R49.7 million (2016: R32.9 million) in ‘administration and other costs’.

During the year industrial property rights to the value of Rnil (2016: R46.7 million) was transferred to intangible assets.

Details of properties are available for inspection at the registered office of the company.

The secured term facility of Distell Limited is secured by mortgages over immovable property, general notarial bonds over movable assets and a cession over trade and other receivables of specific Group subsidiaries to a maximum of R5.5 billion (note 13).

Bank borrowings of Distell International Limited (previously known as Burn Stewart Distillers Limited) are secured over land and buildings to a maximum value of Rnil (2016: R36.9 million) (note 13).

The total area under grapevines on 30 June 2017 that is not classified as mature vines is approximately 95.8 ha (2016: 113.0 ha).

The total carrying value of vineyards that is not classified as mature vines is R9.6 million (2016: R1.8 million).

3. CHANGE IN ACCOUNTING POLICY: BIOLOGICAL ASSETS

The Group adopted the amendments to IAS 16: *Property, Plant and Equipment* and IAS 41: *Agriculture* on bearer plants.

In terms of the amendments bearer biological assets are now classified as PPE. Mature bearer plants, consisting of grapevines, are depreciated over the expected useful lifetime of the plants. The adoption of the revised IAS 16: *Property, Plant and Equipment* and IAS 41: *Agriculture* has resulted in grapevines being reclassified from biological assets to PPE in the statement of financial position. The change in accounting policy was prospectively adopted for the year ended 30 June 2017 as the impact had no material effect on profit and loss for the previous year.

The comparative figures for 2016 have been restated as follows to give effect to the change in accounting policy.

	2016 R'000
Biological assets	
Closing balance as previously reported	100 866
Change in accounting policy to PPE	(100 866)
Balance at the end of the year now reported	–
Property, plant and equipment	
Closing balance as previously reported	5 015 510
Change in accounting policy to PPE	100 866
Balance at the end of the year now reported	5 116 376
Retained earnings	
Closing balance as previously reported	7 995 232
Change in accounting policy to PPE	–
Balance at the end of the year now reported	7 995 232

4. FINANCIAL ASSETS

	2017 R'000	2016 R'000
Loans and receivables at amortised cost		
Loans to producers and other unrelated parties, denominated in rand, at market-related interest rates	9 786	4 207
Loans to related parties, denominated in rand, bearing no interest	123 809	176 988
	133 595	181 195
Available-for-sale financial assets		
Equities, denominated in the following currencies:		
Rand	17 187	18 795
Canadian dollar	12 484	14 817
UK pound	–	46 096
	29 671	79 708
Movement in available-for-sale financial assets		
Opening balance	79 708	99 754
Additions	–	86
Disposals	(1 801)	–
Exchange differences	(6)	2
Fair value adjustments (note 11)	(9 420)	(20 134)
Impairments	(38 810)	–
Balance at the end of the year	29 671	79 708

The fair value estimation of equities are indicated in note 32.2.

The maximum exposure to credit risk at the reporting date is the carrying value of the loans and receivables. None of these financial assets are past due. Loans and other receivables consists of receivables from related parties. There is no history of defaulted payments.

Financial assets consist of listed, which include over-the-counter trade, and unlisted shares and details thereof are available at the registered office of the company.

5. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

	2017 R'000	2016 R'000
Company		
Investments in subsidiaries (note 39)	2 828 517	2 734 880
Distell Group Limited subordinated its claims against South African Distilleries and Wines (SA) Limited and Distell Beverages (RF) Proprietary Limited.		
Group		
Investments in associates (note 40)		
Opening balance	237 249	233 685
Share of profit	18 175	52 966
Share of actuarial loss	(2 342)	(1 003)
Dividends received	(4 907)	(48 802)
Exchange differences and withholding taxes	758	403
Reclassification as a result of a business combination (note 33)	(115 375)	–
Balance at the end of the year	133 558	237 249
Made up as follows:		
Cost and share of profits	124 482	181 569
Goodwill	9 076	55 680
	133 558	237 249
Summary of goodwill		
Opening balance	55 680	55 680
Reclassification as a result of a business combination (note 33)	(46 604)	–
Balance at the end of the year	9 076	55 680
Group		
Investments in joint ventures (note 41)		
Opening balance	213 999	160 423
Additions	6 377	48 380
Share of profit	41 199	5 076
Share of other reserves	(9 528)	120
Exchange differences and withholding taxes	255	–
Disposal of interest in joint venture	(20)	–
Balance at the end of the year	252 282	213 999

Impairment tests of investments in associates

The investments in Tanzania Distilleries Limited, Grays Inc. Limited and KWA Holdings E.A. Limited have been allocated to those cash-generating units and are each tested for impairment as a single asset, including goodwill. The recoverable amounts of the cash-generating units have been based on a value-in-use calculation. To calculate this, cash flow projections are based on financial budgets approved by management covering a five-year period.

The key assumptions used for the value-in-use calculations are as follows:

	2017		2016	
	Long-term growth rate	Discount rate	Long-term growth rate	Discount rate
Tanzania Distilleries Limited	2.0%	19.9%	2.0%	22.9%
Grays Inc. Limited	2.0%	11.0%	2.0%	11.5%
KWA Holdings E.A. Limited	–	–	2.0%	17.6%

The discount rates used are pre-tax and reflect specific risks relating to the relevant business. These calculations indicate that there was no impairment in the carrying value of the investments in associates and related goodwill.

6. INTANGIBLE ASSETS

	Industrial property rights R'000	Capitalised software R'000	Goodwill R'000	Trademarks and other intangibles R'000	Total R'000
2017					
Opening balance	38 864	95 979	1 058 931	810 417	2 004 191
Additions	9 274	78 730	–	–	88 004
Acquisition of subsidiaries (note 33)	–	–	73 219	281 390	354 609
Exchange differences	1 393	10	(153 628)	(119 205)	(271 430)
Disposal of subsidiary (note 33)	–	–	(5 511)	–	(5 511)
Impairments	(6 187)	–	–	(195 884)	(202 071)
Amortisation	(695)	(43 850)	–	(1 322)	(45 867)
Balance at the end of the year	42 649	130 869	973 011	775 396	1 921 925
Cost	51 093	315 592	973 011	1 058 903	2 398 599
Accumulated amortisation and impairment	(8 444)	(184 723)	–	(283 507)	(476 674)
Net carrying value	42 649	130 869	973 011	775 396	1 921 925
2016					
Opening balance	–	39 072	1 022 672	817 936	1 879 680
Additions	–	83 047	–	–	83 047
Exchange differences	(5 841)	(15)	36 259	72 636	103 039
Impairments	–	–	–	(80 155)	(80 155)
Reclassification from property, plant and equipment	46 696	–	–	–	46 696
Amortisation	(1 991)	(26 125)	–	–	(28 116)
Balance at the end of the year	38 864	95 979	1 058 931	810 417	2 004 191
Cost	40 554	237 520	1 058 931	890 572	2 227 577
Accumulated amortisation and impairment	(1 690)	(141 541)	–	(80 155)	(223 386)
Net carrying value	38 864	95 979	1 058 931	810 417	2 004 191

Amortisation is included in “administration and other costs” in the income statement.

Included in trademarks and other intangibles, are brand names and customer relationships, relating to the acquisition of Distell International Limited and Distell (Hong Kong) Limited which occurred in prior years. The current year additions relate to the acquisitions of KWA Holdings E.A. Limited and Imported Premium Vodka Company Limited.

Management regards the trademarks as having an indefinite useful life as there are no foreseeable limits on the time the trademarks are expected to provide future cash flows. The trademarks are protected in all the major markets where they are sold and there is not believed to be any legal, regulatory or contractual provisions that limit the useful lives of these brands. The brands included in trademarks above are Bisquit, Scottish Leader, Black Bottle, Bunnahabhain, Tobermory, Deanston, Ledaig, Cruz Vodka, Kibao, Kingfisher, Caprice Wines, Hunters Choice, Altar Wines and Yatta Juice.

Impairment testing of non-financial assets

Discount rates

The discount rates used are the pre-tax weighted average cost of capital (WACC) which reflects the returns on government bonds specific to the cash-generating units to which the goodwill is attributed. In cases where the cash-generating unit (CGU) is deemed to be of greater risk than the Group as a whole, a risk premium has been included within the discount rate applied.

Growth rates

In determining the growth rate, consideration is given to the growth potential of the respective CGU. Volume growth assumptions are based on management's best estimates of known strategies and future plans to grow the business.

	2017 R'000	2016 R'000
Goodwill		
Distell Winemasters Limited	1 919	1 919
Distell (Hong Kong) Limited	7 510	7 510
Distell International Limited	891 989	1 043 991
KWA Holdings E.A. Limited	48 881	–
Imported Premium Vodka Company Limited	22 712	–
Lomond Wine Estate Proprietary Limited	–	5 511
	973 011	1 058 931

Impairment tests for goodwill

The goodwill acquired through the investments in Distell Winemasters Limited (Kenya), Distell (Hong Kong) Limited, Distell International Limited and Lomond Wine Estates Proprietary Limited were allocated to those CGU's and are tested for impairment on an annual basis. The recoverable amounts of the CGU have been based on a value-in-use calculation. To calculate this, cash flow projections are based on financial budgets approved by management covering a five- to ten-year period. A longer than five-year period was used as these longer periods better reflect the nature of the spirits category due to the long maturation periods required for some of the products.

The key assumptions used for the value-in-use calculations are as follows:

	2017		2016	
	Long-term growth rate	Discount rate	Long-term growth rate	Discount rate
Distell Winemasters Limited	2.0%	20.1%	2.0%	17.6%
Distell (Hong Kong) Limited	1.8%	7.5%	1.8%	7.1%
Distell International Limited	3.0%	6.1%	3.0%	6.7%
Lomond Wine Estate Proprietary Limited	–	–	2.0%	11.9%

These calculations indicate that no impairment was necessary in the carrying value of the goodwill.

	2017 R'000	2016 R'000
Trademarks		
Bisquit	–	223 324
Black Bottle	53 220	62 459
Scottish Leader	250 510	292 604
Bunnahabhain	67 866	79 431
Deanston	14 248	16 676
Tobermory	10 396	12 168
Ledaig	10 107	11 829
Kibao	42 518	–
Kingfisher	20 147	–
Caprice Wines	14 719	–
Hunters Choice	9 355	–
Altar Wines	2 110	–
Yatta Juice	847	–
Cruz Vodka	108 153	–
Customer and supplier relationships	114 627	79 671
Trade names	56 573	32 255
	775 396	810 417

Impairment tests for trademarks

The trademarks are allocated to their respective CGU's and are tested for impairment on an annual basis. The recoverable amounts of the CGU have been based on a value-in-use calculation. To calculate this, cash flow projections are based on financial budgets approved by management covering a five- to 15-year period. A longer than five-year period was used as these longer periods better reflect the nature of the spirits category due to the long maturation periods required for some of the products.

The key assumptions used for the value-in-use calculations are as follows:

	2017		2016	
	Long-term growth rate	Discount rate	Long-term growth rate	Discount rate
Distell International Limited	3.0%	6.1%	3.0%	6.7%
Bisquit Dubouché et Cie	1.5%	6.5%	1.5%	6.3%

An impairment charge of R195.9 million (2016: R80.2 million) was recognised in the current year as a result of the annual impairment test performed on trademarks relating to the Bisquit Dubouché et Cie CGU in the international reportable segment. Forecast cash flow assumptions have been reduced principally due to the challenging economic environments in which this CGU operates. In determining this fair value, a discounted cash flow was used to perform the valuation taking into consideration 15-year forecasts. In addition, the inputs into the model were based on a WACC rate of 6.5% (2016: 6.3%).

If one or more of the inputs within the other trademarks and goodwill testing were changed to a reasonable possible alternative assumption, there would be no further significant impairments that would have to be recognised.

7. INVENTORIES

	2017 R'000	2016 R'000
Bulk wines, flavoured alcoholic beverages and spirits	5 202 220	5 570 098
Bottled wines, flavoured alcoholic beverages and spirits	2 206 911	1 889 058
Packaging material and other	391 174	441 493
	7 800 305	7 900 649

The cost of inventories recognised as an expense and included in "costs of goods sold" amounted to R12 996.8 million (2016: R12 179.1 million).

No previous write-down was reversed during the year (2016: Nil).

Excise duty of R470.6 million (2016: R512.0 million) is included in bulk inventories and R502.5 million (2016: R543.5 million) in bottled inventories.

The secured term facility of Distell Limited is secured by mortgages over immovable property, general notarial bonds over movable assets and a cession over trade and other receivables of specific Group subsidiaries to a maximum of R5.5 billion (note 13).

Bank borrowings are secured over inventories of Distell International Limited for a maximum value of R885.7 million (2016: R843.9 million) (note 13).

8. TRADE AND OTHER RECEIVABLES

	2017 R'000	2016 R'000
Trade receivables	2 731 087	2 351 364
Provision for impairment of receivables	(73 824)	(20 708)
Trade receivables – net	2 657 263	2 330 656
Insurance claims	–	803
Prepayments	112 478	74 734
Other receivables	173 428	227 229
Value added tax	39 301	26 327
	2 982 470	2 659 749

The secured term facility of Distell Limited is secured by mortgages over immovable property, general notarial bonds over movable assets and a cession over trade and other receivables of specific Group subsidiaries to a maximum of R5.5 billion (note 13).

Included in the Group's trade receivables are debtors with carrying amounts of R145.8 million (2016: R136.8 million) which are past due at the reporting date but not impaired.

These relate to a number of independent customers where there has not been any history of payment default or significant changes in credit quality and the amounts are still considered recoverable. The Group holds no collateral for these past due receivables. The ageing analysis of these receivables is as follows:

Ageing of past due but not impaired trade and other receivables

	2017 R'000	2016 R'000
30 to 60 days overdue	49 614	37 953
Past 60 days overdue	96 183	98 810
Total	145 797	136 763

At 30 June 2017 trade receivables of R73.8 million (2016: R20.7 million) were impaired and provided for.

The individually impaired receivables mainly relate to customers who are in financial difficulty and where there are indications that the Group may not recover the full amount.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date the credit was initially granted up to the reporting date. Concentration of credit risk is limited because of the large number of customers and their dispersion across geographical areas.

The analysis of trade receivables that are individually determined to be impaired are as follows:

Ageing of impaired trade and other receivables

	2017 R'000	2016 R'000
60 to 120 days overdue	23 918	1 997
Past 120 days overdue	49 906	18 711
Total	73 824	20 708

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2017 R'000	2016 R'000
South African rand	1 819 725	1 434 889
US dollar	202 247	395 175
Euro	226 510	223 284
UK pound	334 324	201 178
Canadian dollar	40 230	68 918
Namibian dollar	131 601	123 163
Botswana pula	58 027	43 989
Other currencies	169 806	169 153
	2 982 470	2 659 749
Industry spread of trade receivables:		
South African grocers	766 796	666 893
South African liquor groups	634 178	356 980
International	656 343	644 015
Africa	274 670	214 075
South African – Other	650 483	777 786
	2 982 470	2 659 749
Industry spread of past due but not impaired trade and other receivables:		
South African grocers	3 556	9 445
South African liquor groups	423	–
International	59 797	53 980
Africa	8 012	26 261
South African – other	74 009	47 077
	145 797	136 763
Industry spread of impaired trade and other receivables:		
International	22 636	5 387
Africa	42 927	14 580
South African – other	8 261	741
	73 824	20 708
The movement of the Group's provision for impairment of trade receivables are as follows:		
Opening balance	20 708	10 259
Provision for receivable impairment	61 012	15 425
Receivables written off during the year as uncollectible	(6 342)	(323)
Exchange difference	262	432
Unused amounts reversed	(1 816)	(5 085)
Balance at the end of the year	73 824	20 708

The creation and release of the provision for impaired receivables have been included in “sales and marketing expenses” and “distribution costs” in the income statement (note 19.1). The other classes within trade and other receivables do not contain impaired assets.

Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable as mentioned above. The fair values of trade and other receivables approximate their book values as shown above due to the short-term maturities of these assets. The Group does not hold any collateral as security.

None of the payment terms of trade and other receivables that are fully performing or overdue have been renegotiated during the year.

9. DERIVATIVE FINANCIAL INSTRUMENTS

	2017 R'000	2016 R'000
Group		
The following amounts are included in "other receivables" (note 8) and 'accrued expenses' (note 16):		
Current assets		
Interest rate swaps – cash flow hedges	–	4 453
Commodity hedges – held-for-trading	–	5 292
Forward foreign exchange contracts – held-for-trading	9 613	1 138
	9 613	10 883
Current liabilities		
Interest rate swaps – cash flow hedges	–	(252)
Commodity hedges – held-for-trading	(5 317)	–
Forward foreign exchange contracts – held-for-trading and cash flow hedges	(10 391)	(17 416)
	(15 708)	(17 668)
Total	(6 095)	(6 785)

Refer to note 32.2 for the fair value estimation of forward foreign exchange contracts and interest rate swaps.

Interest rate swaps

In order to hedge specific exposures in the interest rate repricing profile of existing borrowings, the Group may use interest rate derivatives to generate the desired interest profile.

	Borrowings hedged '000	Interest payable %	Interest receivable	Fair value gain/(loss) R'000
2016				
Interest rate swaps (0 – 2 years) (Rand)	500 000	7.095	3m JIBAR	4 453
Interest rate swaps (0 – 1 year) (Pound)	20 000	0.94	BoE base	(252)

The Rand-denominated interest rate swap agreements reset every three months, with the final reset on 30 June 2017, and the pound swap agreements had a final reset on 30 April 2016 (BoE=Bank of England).

Forward foreign exchange contracts

Material forward exchange contracts as at 30 June 2017 and 30 June 2016 are summarised as follows:

Forward foreign exchange contracts – anticipated transactions

These forward foreign exchange contracts do not relate to specific items on the statement of financial position, but were entered into to cover export proceeds not yet receivable or import commitments not yet payable. The forward foreign exchange contracts will be utilised for the purposes of trade within the following year.

Foreign currency	Foreign currency amount '000	Rand amount R'000	Fair value gain/(loss) R'000
2017			
Forward foreign exchange sales			
Canadian dollar	1 210	12 005	(348)
Euro	12 950	204 847	9 291
New Zealand dollar	330	3 095	(101)
US dollar	2 213	29 234	322
		249 181	9 164
Forward foreign exchange purchases			
US dollar	49 450	649 981	(9 942)
		649 981	(9 942)
		899 162	(778)
2016			
Forward foreign exchange sales			
Canadian dollar	1 400	17 082	1 091
Euro	13 100	201 339	(14 427)
New Zealand dollar	300	3 206	47
US dollar	3 013	43 320	(520)
		264 947	(13 809)
Forward foreign exchange purchases			
US dollar	7 600	115 819	(2 469)
		380 766	(16 278)

The net uncovered trade proceeds at 30 June 2017 amounted to R473.6 million (2016: R477.5 million) and net uncovered trade purchases at 30 June 2017 amounted to R36.9 million (2016: R139.8 million).

Commodity hedges		Fair value gain/(loss) R'000
2017		
Gasoil	Held for trading	(5 129)
Aluminium	Held for trading	(188)
2016		
Gasoil	Held for trading	4 447
Aluminium	Held for trading	845
	2017	2016
	R'000	R'000

Company

Current liabilities

Forward foreign exchange contracts – held-for-trading	9 115	–
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The company entered into forward foreign exchange purchases of 45.5 million US dollar (R596.6 million) which will be used to fund the acquisition of a 26.0% interest in Best Global Brands (see note 38). The same treatment applies to the Group.

10. SHARE CAPITAL

	2017 Number '000	2016 Number '000
Shares authorised		
Ordinary shares of 1 cent each	250 000	250 000
Shares issued		
Opening balance	222 109	221 737
Issue of shares – share and share appreciation right (SAR) schemes	273	372
Ordinary shares of 1 cent each issued and fully paid	222 382	222 109
Treasury shares		
Opening balance	2 900	2 927
Issue of shares – share and SAR schemes	273	372
Shares paid and delivered – share and SAR schemes	(175)	(399)
	2 998	2 900

	Company Ordinary shares R'000	Company Share premium R'000	Treasury shares R'000	Group Total R'000
2017				
Opening balance	2 221	750 390	(3 105)	749 506
Issue of shares – share and SAR schemes	3	–	(3)	–
Shares paid and delivered – share and SAR schemes	–	–	3 104	3 104
Balance at the end of the year	2 224	750 390	(4)	752 610
2016				
Opening balance	2 217	750 390	(11 462)	741 145
Issue of shares – share and SAR schemes	4	–	(4)	–
Shares paid and delivered – share and SAR schemes	–	–	8 361	8 361
Balance at the end of the year	2 221	750 390	(3 105)	749 506

Eleven percent of the authorised but unissued share capital is under the control of the board of directors until the next annual general meeting.

Share and Share Appreciation Right Schemes

The Distell Group Equity Settled Share Appreciation Right Scheme was established during the 2011 financial year to promote the continued growth of the Group and to provide selected employees and executive directors with rights to receive Distell ordinary shares in future, subject to certain employment-related and performance conditions being met. No new allocations under the share scheme have been made during the year under review. The maximum number of shares that may be delivered to participants under the Share and Share Appreciation Right Schemes are limited to ten million shares and the number of shares that may be delivered to any one participant is limited to one million shares.

10.1 Share scheme

The trustees of The Distell Group Share Trust (the share scheme) offered to participants unissued ordinary shares which were reserved for the scheme.

The details of the offers were as follows:

The offers were made at the closing share price on the JSE on the preceding day and were open for acceptance for one year from the date of the offer. The scheme is a deferred purchase scheme and payment is made in three equal annual instalments of which the first instalment is only payable after three years after the offer date.

Participants have no right to delivery, voting or dividends on shares before payment has been made. Participants may choose to pay on a later date with the resultant deferment of rights. Payment must, however, be made within seven years.

Date	Participants	Offer price per share (Rand)	Number of shares offered	Number of shares accepted as at 30 June 2017	Number of shares paid and delivered as at 30 June 2017
19 March 2001	Executive directors	7.35	1 127 780	1 127 780	1 127 780
19 March 2001	Other participants	7.35	1 202 127	1 202 127	1 202 127
15 October 2002	Other participants	13.21	47 779	47 779	47 779
13 December 2002	Executive directors	14.60	953 320	953 320	953 320
13 December 2002	Other participants	14.60	1 639 069	1 639 069	1 639 069
3 June 2004	Other participants	15.05	219 570	219 570	219 570
25 October 2005	Executive directors	31.00	62 743	62 743	62 743
25 October 2005	Other participants	31.00	982 924	982 924	982 924
7 November 2006	Executive directors	40.00	227 233	227 233	227 233
7 November 2006	Other participants	40.00	265 225	265 225	265 225
8 October 2007	Executive directors	60.50	116 784	116 784	116 784
8 October 2007	Other participants	60.50	195 208	195 208	195 208
23 October 2008	Executive directors	45.50	164 086	164 086	164 086
23 October 2008	Other participants	45.50	563 368	563 368	563 368
22 October 2009	Executive directors	64.00	54 540	54 540	54 540
22 October 2009	Other participants	64.00	405 962	405 962	405 962
			8 227 718	8 227 718	8 227 718

	2017		2016	
	Average offer price per share (Rand)	Number of shares	Average offer price per share (Rand)	Number of shares
<i>The current status of the share scheme is as follows:</i>				
Ordinary shares due to participants				
Previous financial years	64.00	48 480	57.63	198 873
Shares paid for and delivered	64.00	(46 811)	55.58	(150 393)
Resignations and other	–	(1 669)	–	–
Outstanding at the end of the year	–	–	64.00	48 480

Scheme shares outstanding at the end of the year have the following expiry dates and exercise prices:

	Exercise price per share (Rand)	Number of shares 2017	Number of shares 2016
Shares offered, not issued, not paid for and not delivered (Share Trust):			
22 October 2009 – Other participants	–	–	48 480
	–	–	48 480

10.2 Equity Settled Share Appreciation Right Scheme (SAR scheme)

The SAR scheme was approved by shareholders at the Annual General Meeting held on 20 October 2010. Participants of the SAR scheme are remunerated with shares to the value of the appreciation of a specified number of Distell Group Limited ordinary shares that must be exercised within a period of seven years after the grant date.

The earliest intervals at which the Share Appreciation Rights (SARs) are exercisable are as follows:

- One-third after the third anniversary of the grant date.
- Two-thirds after the fourth anniversary of the grant date.
- The remainder after the fifth anniversary of the grant date.

Specific performance criteria, which are linked to revenue and EBITDA growth, are stipulated for SARs offered after 1 July 2015.

Number and exercise prices of all SARs offered to participants of the SAR scheme:

Date	Participants	Exercise price per SAR (Rand)	Number of SARs offered	Number of SARs accepted as at 30 June 2017	Number of SARs exercised as at 30 June 2017
21 October 2010	Executive directors	72.00	70 188	70 188	70 188
21 October 2010	Other participants	72.00	437 110	437 110	356 577
25 November 2011	Executive directors	66.00	96 551	96 551	93 576
25 November 2011	Other participants	66.00	404 902	404 902	238 003
2 October 2012	Executive directors	93.35	190 794	190 794	107 120
2 October 2012	Other participants	93.35	484 999	484 999	200 269
21 February 2014	Executive directors	139.00	381 660	381 660	–
21 February 2014	Other participants	139.00	332 616	332 616	11 355
27 October 2014	Executive directors	129.00	74 241	74 241	–
27 October 2014	Other participants	129.00	969 340	969 340	–
1 December 2014	Other participants	130.50	51 519	51 519	–
23 March 2015	Other participants	152.00	65 850	65 850	–
1 July 2015	Other participants	166.97	133 542	133 542	–
22 October 2015	Executive directors	170.30	198 567	198 567	–
22 October 2015	Other participants	170.30	1 187 640	1 187 640	–
18 February 2016	Other participants	167.60	233 451	233 451	–
23 February 2016	Other participants	165.00	16 185	16 185	–
5 October 2016	Executive directors	165.02	101 181	101 181	–
5 October 2016	Other participants	165.02	689 790	689 790	–
1 March 2017	Other participants	143.10	100 203	100 203	–
			6 220 329	6 220 329	1 077 088
		2017		2016	
		Average exercise price per SAR (Rand)	Number of SARs	Average exercise price per SAR (Rand)	Number of SARs
<i>The current status of the SAR scheme is as follows:</i>					
Carried forward from previous financial years		137.59	4 546 354	111.47	3 353 669
Offered in current financial year		162.67	934 611	169.69	1 804 758
Exercised during the year		83.36	(280 819)	78.07	(456 077)
Resignations and other		152.17	(56 905)	121.49	(155 996)
Outstanding at the end of the year		144.95	5 143 241	137.59	4 546 354

SARs outstanding at the end of the year have the following expiry dates and exercise prices:

	Exercise price per SAR (Rand)	Number of SARs 2017	Number of SARs 2016
SARs offered, accepted and issued, but not exercised:			
October 2013, 2014 and 2015	72.00	80 534	131 065
November 2014, 2015 and 2016	66.00	169 874	251 964
November 2015 and 2016	93.35	148 968	276 367
February 2017	139.00	226 737	238 465
October 2017	129.00	347 860	348 152
November 2017	93.35	219 436	239 134
December 2017	130.50	17 171	17 173
February 2018	139.00	238 092	238 465
March 2018	152.00	21 947	21 950
July 2018	166.97	44 508	44 514
October 2018	129.00	347 860	348 152
October 2018	170.30	461 569	464 457
December 2018	130.50	17 171	17 173
February 2019	139.00	238 092	238 465
February 2019	165.00	5 394	–
February 2019	167.60	77 798	81 230
March 2019	152.00	21 947	21 950
July 2019	166.97	44 508	44 514
October 2019	129.00	347 860	348 153
October 2019	165.02	263 549	–
October 2019	170.30	461 569	464 457
December 2019	130.50	17 177	17 173
February 2020	165.00	5 394	–
February 2020	167.60	77 798	81 230
March 2020	143.10	33 401	–
March 2020	152.00	21 956	21 950
July 2020	166.97	44 526	44 514
October 2020	165.02	263 549	–
October 2020	170.30	463 069	464 457
February 2021	165.00	5 397	–
February 2021	167.60	77 855	81 230
March 2021	143.10	33 401	–
October 2021	165.02	263 873	–
March 2022	143.10	33 401	–
		5 143 241	4 546 354

10.3 Valuation methodology and assumptions

The fair value of scheme shares, SARs and bonus shares granted after 7 November 2002 was valued at each grant date by using an actuarial binomial option pricing model. The model is an extension of the binomial model, incorporating employee behaviour.

The significant inputs into the model were:

Share price at the grant date	R14.60 to R170.30
Exercise price	shown above
Expected volatility	19.85% to 35.90%
Dividend yield	2.29% to 6.34%
Option life	shown above
Annual risk-free interest rate	5.67% to 10.43%

The expected lifetime of each grant is estimated by considering separately each of the tranches within that grant. The risk-free rate was estimated by using the implied yield on a SA zero-coupon government bond and the yield curve over the expected contract lifetimes of three, five, six and seven years from the offer date.

Share price volatility of ordinary shares in Distell Group Limited was determined with reference to movements in the share price on the JSE taking into consideration the expected lifetimes of each tranche of all grants over the vesting period.

Dividend yield was calculated using the two-year moving average dividend yield at each offer date.

The total expense recognised in the income statement in “employee benefit expense” (note 19.4) relating to the above equity-settled share-based payments was R52.8 million (2016: R45.6 million).

11. OTHER RESERVES

	2017 R'000	2016 R'000
Group		
Reserves at formation of a previous holding company	15 199	15 199
Capital reduction	236	236
Transfer of share capital on cancellation of shares	13 226	13 226
Transfer of share premium	15 873	15 873
Capital redemption reserve fund	400	400
Reclassification of pallets to deposit value	5 773	5 773
Foreign currency translations	542 673	1 109 120
Opening balance	1 109 120	866 493
Currency translation differences for the year	(566 447)	242 627
Hedging reserve	(9 115)	–
Opening balance	–	–
Fair value adjustments of cash flow hedges	(9 115)	–
Redemption reserve	(37 340)	–
Opening balance	–	–
Redemption reserve for acquisition of subsidiary (note 33.2)	(37 340)	–
Fair value adjustments	27 709	30 377
Opening balance	30 377	47 696
Fair value adjustments of available-for-sale financial assets	(9 420)	(20 134)
Deferred income tax on fair value adjustments	6 752	2 815
BEE share-based payment option reserve	122 080	122 080
Opening balance	122 080	122 080
Employee share scheme reserve	183 527	167 963
Opening balance	167 963	121 689
Employee share options settled in cash	(38 031)	–
Employee share-based payment for the year	53 595	46 274
Actuarial gains and losses reserve	491 257	449 896
Opening balance	449 896	368 435
Remeasurements of post-employment benefits for the year	61 226	115 842
Associates' remeasurements of post-employment benefits for the year	(2 342)	(1 003)
Deferred income tax on remeasurements of post-employment benefits	(17 523)	(33 378)
Gains and losses on transactions with non-controlling interests	(42 092)	(17 884)
Opening balance	(17 884)	(17 884)
Gains and losses for the year	(24 208)	–
	1 329 406	1 912 259
Company		

	2017	2016
	R'000	R'000
BEE share-based payment option reserve	122 080	122 080
Reserves at formation of a previous holding company	15 199	15 199
Capital reduction	236	236
	137 515	137 515

12. RETAINED EARNINGS

	2017	2016
	R'000	R'000
Group		
Company	1 934 341	1 844 807
Consolidated subsidiaries	6 239 147	5 903 320
Joint ventures	173 365	141 439
Associated companies	113 257	105 666
	8 460 110	7 995 232
Opening balance	7 995 232	7 236 753
Profit for the year	1 296 978	1 531 986
Dividends paid	(832 100)	(773 507)
Balance at the end of the year	8 460 110	7 995 232
Company		
Opening balance	1 844 807	1 754 922
Profit for the year	931 779	873 232
Dividends paid	(842 245)	(783 347)
Balance at the end of the year	1 934 341	1 844 807

13. INTEREST-BEARING BORROWINGS

	2017	2016
	R'000	R'000
NON-CURRENT		
Secured inventory UK pound facility, bearing interest at Bank of England base rate plus 1.35%, for a minimum period of five years from February 2017	809 033	843 919
Secured real property UK pound facility, bearing interest at Bank of England base rate plus 2.25%, repayable in monthly instalments of £25 000, with a final redemption repayment of £300 000 in December 2016	–	24 845
Secured term facility rand loan, bearing interest at a variable rate of 8.373% (2016: 8.617%) per annum. Interest is payable quarterly and the loan is repayable on 15 July 2019	1 200 000	1 200 000
Secured term facility rand loan, bearing interest at a variable rate of 8.723% per annum. Interest is payable quarterly and the loan is repayable on 15 July 2022	850 000	–
Secured revolving term facility rand loan, bearing interest at a variable rate of 8.523% per annum. Interest is payable quarterly and the loan is repayable on 15 July 2020	550 000	–
Secured term facility rand loan, bearing interest at a variable rate of 8.523% per annum. Interest is payable quarterly and the loan is repayable on 15 July 2020	150 000	–
Secured term facility rand loan, bearing interest at a variable rate of 8.457% per annum. Interest is payable quarterly and the loan is repayable on 30 June 2017	–	900 000

	2017 R'000	2016 R'000
Secured revolving term facility rand loan, bearing interest at a variable rate of 8.457% per annum. Interest is payable quarterly and the loan is repayable on 30 June 2017	–	400 000
Other secured loans	8 147	–
Secured rand loans on capitalised finance lease vehicles (note 2), bearing interest at a variable rate of 1.5% below prime per annum, payable monthly in arrears in instalments of Rnil (2016: R6 993) for 48 months	–	60
	3 567 180	3 368 824
<i>Less:</i> Portion of loans repayable within one year, included in current liabilities	–	(2 168 824)
	3 567 180	1 200 000
CURRENT		
Unsecured euro loan, bearing interest at a fixed rate of 1.002% per annum, repayable on 31 August 2017	395 990	425 460
Unsecured euro loan, bearing interest at a fixed rate of 1.717% per annum, repayable on 29 July 2016	–	202 305
Unsecured rand call accounts and bank overdrafts	880 244	930 000
Short-term portion of non-current borrowings	–	2 168 824
	1 276 234	3 726 589
Total interest-bearing borrowings	4 843 414	4 926 589

The interest rate repricing profile at 30 June 2017 and 30 June 2016 is summarised as follows:

Interest-bearing borrowings	% of total	2017 R'000	% of total	2016 R'000
Floating rate (secured loans)	73.6	3 567 180	68.4	3 368 824
Fixed rate (unsecured loans)	8.2	395 990	12.7	627 765
Floating call rate (2017: 8.2%, 2016: 7.3%)	18.2	880 244	18.9	930 000
Total interest-bearing borrowings	100.0	4 843 414	100.0	4 926 589

The maturity profile of the interest-bearing borrowings is indicated in note 32.1(c).

The fair value and carrying amounts of non-current borrowings are as follows:

Interest-bearing borrowings	Fair value		Carrying amount	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
Bank borrowings	3 559 926	1 187 442	3 567 180	1 200 000
	3 559 926	1 187 442	3 567 180	1 200 000

The fair value of non-current borrowings is calculated using cash flows discounted at a rate based on the borrowings rate of 1.6% to 9.0% (2016: 2.9% to 8.6%).

Total borrowings include secured liabilities of R3 567.2 million (2016: R3 368.8 million). These borrowings are secured by mortgages over immovable property, general notarial bonds over movable assets and a cession over trade and other receivables of specific Group subsidiaries. Refer to notes 2, 7 and 8.

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant.

	2017 R'000	2016 R'000
The Group's unutilised banking facilities and reserve borrowing capacity are as follows:		
Unutilised banking facilities		
Total floating rate banking facilities expiring within one year	2 333 000	2 100 000
Less: Current interest-bearing borrowings	(880 244)	(930 000)
Unutilised banking facilities	1 452 756	1 170 000

Banking facilities are renewed annually and are subject to review at various dates during the next year.

14. RETIREMENT BENEFITS

	2017 R'000	2016 R'000
Statement of financial position		
Assets		
Pension benefits	(43 884)	(40 165)
Post-retirement medical benefits	(337 079)	(303 255)
	(380 963)	(343 420)
Liabilities		
Post-retirement medical obligation	24 533	27 509
	24 533	27 509
Net retirement benefit asset	(356 430)	(315 911)
Income statement charge for:		
Pension benefits	(2 555)	(6 144)
Post-retirement medical benefits	26 168	30 460
	23 613	24 316
Actuarial gains and losses		
Actuarial gains recognised in other comprehensive income (before taxation)	61 100	115 842
Cumulative actuarial gains recognised in other comprehensive income (before taxation)	669 890	608 790

14.1 Pension benefits

Defined-benefit pension funds

The Group operates two defined-benefit pension funds and three defined-contribution provident funds. All permanent employees have access to these funds. These schemes are regulated by the Pension Funds Act, No. 24 of 1956, as amended, and are managed by trustees and administered by independent administrators. Fund assets are held independently of the Group's assets.

The defined-benefit pension funds are actuarially valued every three years and reviewed every year using the projected unit credit method. The latest full actuarial valuation was performed on 31 March 2014 and indicated that the plans are in a sound financial position.

	2017 R'000	2016 R'000
Statement of financial position		
Amounts recognised in the statement of financial position are as follows:		
Present value of funded obligations	217 052	228 307
Fair value of plan assets	(316 277)	(316 424)
Funded position	(99 225)	(88 117)
Asset not recognised in terms of IAS 19, paragraph 58 limit*	55 341	47 952
Net asset in statement of financial position	(43 884)	(40 165)

*"The 'IAS 19, paragraph 58 limit' ensures that the asset to be recognised in the Group's statement of financial position is subject to a maximum of the sum of any unrecognised actuarial losses, past service costs and the present value of any economic benefits available to the Group in the form of refunds or reductions in future contributions. The movement in this limit pertains to a reduction in effect of asset limit of R4.8 million and interest cost of R2,6 million.

	2017 R'000	2016 R'000
The movement in the defined-benefit obligation over the year is as follows:		
Opening balance	228 307	231 407
Current service cost	1 398	2 607
Interest cost	22 473	18 989
Contributions	181	347
Expenses	(608)	(701)
Risk premiums	(66)	(124)
Benefits paid	(13 409)	(25 457)
Remeasurements		
Actuarial gain	(21 224)	1 239
Balance at the end of the year	217 052	228 307
The movement in the fair value of plan assets over the year is as follows:		
Opening balance	316 424	383 039
Acquisition of subsidiaries (note 33)	8 276	–
Exchange differences	(267)	–
Interest income	31 269	31 845
Employer contributions	407	781
Risk premiums	(66)	(124)
Expenses	(608)	(701)
Employer surplus utilised	(5 748)	(67 880)
Benefits paid	(13 409)	(25 457)
Remeasurements		
Return on plan assets	(20 001)	(5 079)
Balance at the end of the year	316 277	316 424
Income statement		
Amounts recognised in “administration and other costs” and “employee benefit expense” (note 19.4) in the income statement are as follows:		
Current service cost	1 398	2 607
Interest cost	27 316	23 094
Interest income	(31 269)	(31 845)
Total income	(2 555)	(6 144)
Actual return on plan assets	(11 268)	(26 766)
The Financial Services Board (FSB) approved the surplus apportionments within the Distell Retirement Fund, Distillers Corporation Pension Fund and SFW Pension Fund and the outstanding balance at 30 June 2017 which is available in the form of reductions in future contributions amounts to R35.9 million.		
Principal actuarial assumptions on statement of financial position date		
Discount rate	9.4%	10.1%
Expected rate of return on plan assets	9.4%	10.1%
Future salary increases	7.4%	8.8%
Future pension increases	6.4%	7.8%
Inflation rate	6.4%	7.8%

14.2 Post-retirement medical benefits

	2017 R'000	2016 R'000
Statement of financial position		
Amounts recognised in the statement of financial position are as follows:		
Present value of funded obligation	964 173	984 549
Fair value of plan assets	(1 276 719)	(1 260 295)
Net asset in statement of financial position	(312 546)	(275 746)
The movement in the defined-benefit obligation over the year is as follows:		
Opening balance	984 549	934 266
Current service cost	58 468	54 498
Interest cost	111 414	87 712
Settlement gain	–	(10 992)
Benefits paid	(21 767)	(20 648)
Remeasurements		
Actuarial gain	(168 491)	(60 287)
Balance at the end of the year	964 173	984 549
The movement in the fair value of plan assets over the year is as follows:		
Opening balance	1 260 295	1 117 114
Interest income	143 714	105 312
Benefits paid	(21 222)	(20 113)
Remeasurements		
Return on plan assets	(106 068)	57 982
Balance at the end of the year	1 276 719	1 260 295
Income statement		
Amounts recognised in “administration and other costs” and “employee benefit expense” (note 19.4) in the income statement are as follows:		
Current service cost	58 468	54 498
Interest cost	111 414	87 712
Interest income	(143 714)	(105 312)
Gain on settlement	–	(6 438)
Total expense	26 168	30 460
Actual return on plan assets	(37 646)	(162 087)
The post-retirement medical liability is actuarially valued every year, using the projected unit credit method. Plan assets are valued at current market value.		
Principal actuarial assumptions on statement of financial position date.		
Discount rate	11.8%	11.5%
Expected rate of return on assets	11.8%	11.5%
Future salary increases	7.4%	8.8%
Annual increases in health cost	10.9%	11.2%
Expected membership continuation at retirement	100.0%	100.0%
Expected retirement age	60	60
	Decrease	Increase
	R'000	R'000
The effect of a 1% movement in the assumed health cost trend rate is as follows:		
Effect on the aggregate of the current service cost and interest cost	31 349	42 362
Effect on the defined-benefit obligation	160 602	211 113

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined-benefit obligation to significant actuarial assumptions the same method (present value of the defined-benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Trend information	2017 R'000	2016 R'000	2015 R'000	2014 R'000	2013 R'000
Present value of funded obligation	964 173	984 549	934 266	919 250	719 798
Fair value of plan assets	(1 276 719)	(1 260 295)	(1 117 114)	(1088 529)	(910 964)
Surplus in the plan	(312 546)	(275 746)	(182 848)	(169 279)	(191 166)
Experience adjustments on plan liabilities	43 023	108 082	66 144	17 632	148 515
Experience adjustments on plan assets	(106 068)	57 015	(58 704)	106 330	124 750

14.3 Retirement benefits (pension and medical)

Plan assets are comprised as follows:

	2017		2016	
	R'000	%	R'000	%
Cash	239 795	15.1	312 519	19.8
Bonds	385 164	24.2	339 554	21.5
Equity instruments	937 585	58.8	890 855	56.6
Property	20 668	1.3	20 576	1.3
International equities and cash	9 784	0.6	13 215	0.8
	1 592 996	100.0	1 576 719	100.0

Investments are diversified, with the largest proportion of assets invested in South African equities, although the Group also invests in property, bonds, cash and international investment instruments. The Group believes that equities offer the best returns over the long term with an acceptable level of risk.

The expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected returns on equity and property investments reflect long-term real rates of return experienced in the respective markets. Expected yields on interest investments are based on gross redemption yields.

Expected contributions to post-employment defined-benefit plans for the year to 30 June 2018 are R1.0 million.

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience. Mortality assumptions for southern Africa are based on PA(90) post-retirement mortality tables with a minimum annual improvement of between 0.5% and 1.0%.

15. DEFERRED INCOME TAX

Deferred income tax assets and deferred income tax liabilities are off-set when there is a legally enforceable right to off-set and when the deferred income tax relates to the same fiscal authority.

	2017 R'000	2016 R'000
The amounts disclosed on the statement of financial position are as follows:		
Companies in the Group with net deferred income tax assets		
Deferred tax asset to be recovered after more than 12 months	(173 897)	(136 031)
Companies in the Group with net deferred income tax liabilities		
Deferred tax liability to be recovered after more than 12 months	792 824	580 044
Deferred tax liability to be recovered within 12 months	136 494	143 385
	929 318	723 429
Net deferred income tax liability	755 421	587 398
The gross amount of deferred income tax assets and liabilities is as follows:		
Deferred income tax liabilities	1 068 076	872 708
Deferred income tax assets	(312 655)	(285 310)
	755 421	587 398
The net movement on the deferred income tax account is as follows:		
Opening balance	587 398	526 297
Income statement charge (note 25)		
Provision for the year	70 731	43 305
Exchange differences	(22 281)	(12 767)
Acquisition of subsidiaries (note 33)	109 866	–
Disposal of subsidiary (note 33)	(1 064)	–
Charged to other comprehensive income (note 11)	10 771	30 563
Balance at the end of the year	755 421	587 398

The gross movement in deferred income tax assets and liabilities during the year, without taking offsetting into account, is as follows:

	Intangible assets R'000	Allowances on fixed assets R'000	Biological assets R'000	Retirement benefits R'000	Total R'000
Deferred income tax liabilities					
2017					
Opening balance	130 556	619 206	20 273	102 673	872 708
Exchange differences	(20 632)	(10 185)	–	–	(30 817)
Charged to the income statement	(1 395)	101 632	(7 129)	(6 731)	86 377
Charged to other comprehensive income	–	–	–	17 523	17 523
Disposal of subsidiary (note 33)	–	(101)	(1 068)	–	(1 169)
Acquisition of subsidiaries (note 33)	81 922	39 076	–	2 456	123 454
Balance at the end of the year	190 451	749 628	12 076	115 921	1 068 076
2016					
Opening balance	128 189	493 788	21 596	77 460	721 033
Exchange differences	4 363	(2 468)	–	–	1 895
Charged to the income statement	(1 996)	127 886	(1 323)	(8 165)	116 402
Charged to other comprehensive income	–	–	–	33 378	33 378
Balance at the end of the year	130 556	619 206	20 273	102 673	872 708

	Impairment of receivables R'000	Assessed losses R'000	Leave and bonus accruals R'000	Other R'000	Total R'000
Deferred income tax assets					
2017					
Opening balance	(4 461)	(145 898)	(80 432)	(54 519)	(285 310)
Exchange differences	–	9 083	–	(547)	8 536
Charged to the income statement	(15 495)	(32 889)	28 920	3 818	(15 646)
Charged to other comprehensive income	–	–	–	(6 752)	(6 752)
Disposal of subsidiary (note 33)	–	54	18	33	105
Acquisition of subsidiaries (note 33)	(5 543)	–	(606)	(7 439)	(13 588)
Balance at the end of the year	(25 499)	(169 650)	(52 100)	(65 406)	(312 655)
2016					
Opening balance	(1 265)	(102 657)	(51 865)	(38 949)	(194 736)
Exchange differences	–	(14 871)	–	209	(14 662)
Charged to the income statement	(3 196)	(28 370)	(28 567)	(12 964)	(73 097)
Charged to other comprehensive income	–	–	–	(2 815)	(2 815)
Balance at the end of the year	(4 461)	(145 898)	(80 432)	(54 519)	(285 310)

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related benefit through future taxable profits is probable.

Refer to note 25 for taxation losses and capital improvements available for off-set against future taxable income.

Deferred income tax liabilities have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries.

16. TRADE AND OTHER PAYABLES

	2017 R'000	2016 R'000
Group		
Trade payables	2 279 720	2 107 754
Accrued expenses	130 172	169 172
Accrued leave pay	101 492	88 397
Excise duty	1 087 242	797 382
Value added tax	83 399	72 267
	3 682 025	3 234 972
Company		
Accrued expenses	9 115	–

17. PROVISIONS

	2017 R'000	2016 R'000
Bonuses		
Opening balance	239 718	129 984
Charged to the income statement		
Additional provisions	97 240	234 540
Unused amounts – reversed	(9 000)	(750)
Interest cost	372	402
Utilised during the year	(239 103)	(124 458)
Balance at the end of the year	89 227	239 718
Excise duty		
Opening balance	82 063	201 671
Payments made	(40 114)	(131 477)
Charged to the income statement		
Reversal of provision (interest)	(41 949)	–
Additional provisions	–	11 869
Balance at the end of the year	–	82 063
Summary		
Performance and other bonuses	84 440	234 880
Long-service bonuses	4 787	4 838
	89 227	239 718
Excise duty	–	82 063
	89 227	321 781

Performance and other bonuses

The majority of employees in service of the Group participate in a performance-based incentive scheme and a provision is made for the estimated liability in terms of set performance criteria. These bonuses are paid in October of every year.

Long-service bonuses

The Group pays long-service bonuses to employees after 10, 25 and 35 years of service respectively. An actuarial calculation is done to determine the Group's liability under this practice using the projected unit credit method. The calculation is based on a discount rate of 9.0% (2016: 9.6%) and an attrition rate of 10.0% (2016: 7.0%).

Excise duty

The Supreme Court of Appeal (SCA) in May 2012 ruled in favour of the South African Revenue Service (SARS) that certain of our wine apéritif products should be classified as spirituous beverages under a higher rate of excise duty. A provision was made for the higher rate of duty on all our wine apéritif products, plus interest.

Following the ruling by the SCA, the amount of additional duty plus interest on the particular products has been paid to SARS. The correct tariff classification of the remainder of the wine apéritif products remained in dispute and the Supreme Court in Pretoria in February 2016 ruled in favour of SARS. Following the ruling by the Supreme Court the additional duty was paid. The amount in dispute at the end of the previous financial year related to interest on such additional duty. During the current year the matter was settled and R41.9 million of the provision was written back.

18. REVENUE

	2017 R'000	2016 R'000
Group		
Sales	16 760 697	16 664 825
Excise duty	5 498 556	4 805 295
	22 259 253	21 470 120
Sales volumes (litres '000)	671 931	671 844
Company		
Dividends received		
Ordinary shares: South African Distilleries and Wines (SA) Limited	705 865	656 507
Preference shares: Distell Beverages (RF) Proprietary Limited	232 366	216 727
	938 231	873 234

19. OPERATING COSTS

	2017 R'000	2016 R'000
19.1 Costs classified by function		
Costs of goods sold	14 901 125	13 767 664
Sales and marketing costs	2 881 709	3 211 513
Distribution costs	1 168 220	1 087 991
Administration and other costs	951 524	973 250
	19 902 578	19 040 418
19.2 Costs classified by nature		
Group		
Administrative and managerial fees	19 303	18 772
Advertising costs and promotions	1 596 228	1 866 180
Amortisation of intangible assets (note 6)	45 867	28 116
Auditors' remuneration (note 19.3)	11 516	13 538
Depreciation of PPE (note 2)	393 555	343 581
Employee benefit expense (note 19.4)	2 422 392	2 462 152
Impairment of trade and other receivables	46 727	11 314
Maintenance and repairs	229 594	219 911
Net foreign exchange losses	65 573	(125 293)
Operating lease expenses (notes 19.5 and 30)	294 849	294 882
Raw materials and consumables used	12 996 816	12 179 071
Research and development expenditure: trademarks and brands	40 335	49 250
Transportation costs	405 139	409 968
Other expenses	1 334 684	1 268 976
	19 902 578	19 040 418
19.3 Auditors' remuneration		
Audit fees	10 109	9 702
Audit fees in respect of previous year	103	336
Fees for other services		
Taxation	306	367
Other	864	3 003
Expenses	134	130
	11 516	13 538

	2017 R'000	2016 R'000
19.4 Employee benefit expense		
Salaries and wages	2 134 523	2 195 188
Share and share appreciation right scheme shares granted to directors and employees	52 765	45 573
Pension costs – defined-contribution plans	123 492	115 113
Medical aid contributions	94 795	88 746
Costs capitalised	(6 796)	(6 784)
Pension benefits (note 14.1)	(2 555)	(6 144)
Post-retirement medical benefits (note 14.2)	26 168	30 460
	2 422 392	2 462 152
19.5 Operating lease expenses		
Properties	171 640	183 733
Vehicles	53 116	54 589
Equipment	44 146	32 468
Machinery	25 947	24 092
	294 849	294 882
20. OTHER GAINS AND LOSSES		
Loss on disposal of previously held interest (note 33)	(4 299)	–
Loss on disposal of investments and subsidiaries	(4 029)	–
Impairment of trademark, assets and investments	(306 971)	(80 155)
Profit on disposal of property, plant and equipment	25 382	2 074
	(289 917)	(78 081)
Taxation	(7 107)	(581)
	(297 024)	(78 662)
21. DIVIDEND INCOME		
Dividend income derived from unlisted investments	7 163	7 501
	7 163	7 501
22. FINANCE INCOME		
Interest received		
Bank	22 092	15 158
Reversal of provision for interest on excise duty (note 17)	41 949	–
Other	5 249	1 643
Gains on financial instruments		
Interest rate swaps: cash flow hedges	–	4 201
	69 290	21 002
23. FINANCE COSTS		
Interest paid		
Bank borrowings	(286 849)	(269 657)
Other	(377)	(12 133)
Losses on financial instruments		
Interest rate swaps: cash flow hedges	(2 070)	–
	(289 296)	(281 790)

24. SHARE OF EQUITY-ACCOUNTED EARNINGS

	2017 R'000	2016 R'000
Share of profit of associates		
Share of profit before taxation	25 341	73 305
Share of taxation	(7 166)	(20 339)
Share of profit for the year	18 175	52 966
Share of profit of joint ventures		
Share of profit before taxation	57 436	6 486
Share of taxation	(16 237)	(1 410)
Share of profit for the year	41 199	5 076
	59 374	58 042

25. TAXATION

	2017 R'000	2016 R'000
25.1 Normal company taxation		
Group		
Current taxation		
– current year	536 538	589 427
– previous year	9 217	(8 247)
Deferred taxation	70 731	43 305
	616 486	624 485
Composition		
Normal South African taxation	537 610	537 865
Foreign taxation	78 876	86 620
	616 486	624 485
The income tax charged to other comprehensive income during the year is as follows:		
Deferred taxation		
– fair value adjustments of available-for-sale financial assets	(6 752)	(2 815)
– remeasurements of post-employment benefits	17 523	33 378
	10 771	30 563
25.2 Reconciliation of rate of taxation (%)		
Standard rate for companies	28.0	28.0
Differences arising from normal activities:		
– non-taxable income	(0.8)	(0.1)
– non-deductible expenses	6.0	2.4
– adjustments in respect of prior years	(0.2)	(0.4)
– foreign tax rate differential, withholding taxes and income from associates	(0.8)	(0.9)
Effective rate	32.2	29.0
The standard rate of tax for companies in South Africa is 28.0% (2016: 28.0%).		
25.3 Taxation losses		
Calculated taxation losses and capital improvements available for off-set against future taxable income	522 526	389 684
Applied to reduce deferred income tax	(521 492)	(388 607)
	1 034	1 077

The taxation losses have no expiry dates.

26. EARNINGS PER ORDINARY SHARE

26.1 Basic, headline and cash equivalent earnings per share

The calculation of earnings per ordinary share is based on earnings as detailed below and on the weighted average number of ordinary shares in issue.

	2017 R'000	2016 R'000
Weighted average number of ordinary shares in issue ('000)	219 298	219 038
<i>Earnings reconciliation</i>		
Profit attributable to equity holders	1 296 978	1 531 986
<i>Adjusted for:</i>		
– impairment of intangible assets	202 071	80 155
– impairment of PPE	66 090	–
– impairment of investment in available-for-sale financial asset	38 810	–
– loss on previously held equity interest and on sale of investments	8 328	–
– less: taxation	(903)	
– profit on disposal of PPE (note 20)	(25 382)	(2 074)
– plus: taxation	7 107	581
– profit on disposal of PPE included in share of equity accounted earnings	(39 797)	–
Headline earnings	1 553 302	1 610 648
Basic earnings per share (cents)	591.4	699.4
Headline earnings per share (cents)	708.3	735.3
Cash equivalent earnings		
Profit attributable to equity holders	1 296 978	1 531 986
<i>Adjusted for:</i>		
– deferred income tax (note 25.1)	70 731	43 305
– non-cash flow items (note 28.1)	910 419	857 954
Total cash equivalent earnings	2 278 128	2 433 245
Cash equivalent earnings per share (cents)	1 038.8	1 110.9

Cash equivalent earnings per share: Earnings attributable to equity holders, after taking into account the adjustments explained above, divided by the weighted average number of ordinary shares in issue. This basis recognises the potential of the earnings stream to generate cash.

26.2 Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

For the Share and Share Appreciation Right Schemes a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the company's shares) based on the monetary value of the subscription rights attached to outstanding shares. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share rights.

	2017 R'000	2016 R'000
Weighted average number of ordinary shares in issue ('000)	219 298	219 038
<i>Adjusted for:</i>		
Share and SAR scheme and bonus shares	307	725
Weighted average number of ordinary shares for diluted earnings ('000)	219 605	219 763
Diluted earnings per share (cents)	590.6	697.1
Diluted headline earnings per share (cents)	707.3	732.9
Diluted cash equivalent earnings per share (cents)	1 037.4	1 107.2

27. DIVIDENDS

	2017 R'000	2016 R'000
Paid: 165.0 cents (2016: 165.0 cents)	362 553	361 954
Declared: 214.0 cents (2016: 214.0 cents)	470 223	469 444
Total: 379.0 cents (2016: 379.0 cents)	832 776	831 398

A final dividend of 214.0 cents per share was declared for the financial year ended 30 June 2017. The dividend will be paid on Tuesday, 26 September 2017. The last date to trade *cum* dividend will be Tuesday, 19 September 2017.

The shares of Distell will commence trading *ex* dividend from the commencement of business on Wednesday, 20 September 2017, and the record date will be Friday, 22 September 2017.

Since the final dividend was declared subsequent to year-end, it has not been provided for in the annual financial statements.

28. CASH FLOW INFORMATION

	2017 R'000	2016 R'000
28.1 Non-cash flow items		
Depreciation	393 555	343 581
Intangible assets amortisation	45 867	28 116
Profit on disposal of property, plant and equipment	(25 382)	(2 074)
Loss on disposal of previously held interest in subsidiary	4 299	–
Provision for impairment of receivables	53 116	10 449
Provision for retirement benefits	26 641	85 670
Provision for leave and bonuses	88 612	244 590
Provision for excise duty and interest	–	11 869
Share Appreciation Rights and Scheme Shares granted to directors and employees	52 765	45 573
Impairment of intangible assets	202 071	80 155
Impairment of assets	66 090	–
Impairment of investments	38 810	–
Other	(36 025)	10 025
	910 419	857 954
28.2 Working capital changes		
Group		
Increase in inventories	(136 752)	(204 555)
Increase in trade and other receivables	(368 435)	(491 093)
Increase in trade and other payables	189 683	(33 488)
	(315 504)	(729 136)
Company		
Increase in trade and other payables	9 115	–
28.3 Taxation paid		
Prepaid at the beginning of the year	1 570	(36 334)
Acquisition of subsidiary (note 33)	(610)	–
Current provision for taxation	(545 755)	(581 180)
Exchange differences	(1 789)	1 880
Unpaid at the end of the year	46 243	(1 570)
	(500 341)	(617 204)
28.4 Dividends paid		
Group		
Dividends declared	(842 245)	(783 347)
Dividends paid to The Distell Group Share Trust	94	479
Dividends paid to Distell Beverages (RF) Proprietary Limited	10 051	9 361
Unpaid at the end of the year	–	–
	(832 100)	(773 507)
Company		
Dividends declared	(842 245)	(783 347)
Unpaid at the end of the year	–	–
	(842 245)	(783 347)

	2017 R'000	2016 R'000
28.5 Purchases of property, plant and equipment (PPE) to maintain operations		
Properties	(54 192)	(69 350)
Machinery, tanks and barrels	(205 745)	(309 285)
Equipment and vehicles	(24 506)	(30 806)
Assets under construction	(43 341)	(16 245)
	(327 784)	(425 686)
28.6 Purchases of PPE to expand operations		
Properties	(54 092)	(40 588)
Biological assets	(12 266)	(1 786)
Machinery, tanks and barrels	(240 263)	(433 811)
Equipment and vehicles	(45 193)	(75 137)
Assets under construction	(125 961)	(61 545)
	(477 775)	(612 867)
28.7 Increase in net cash, cash equivalents and bank overdrafts		
Balance at the beginning of the year	(102 402)	(230 868)
Exchange losses on cash, cash equivalents and bank overdrafts	33 493	(32 075)
Balance at the end of the year	302 876	102 402
Cash at bank and on hand	1 183 120	1 032 402
Call accounts and bank overdrafts	(880 244)	(930 000)
	233 967	(160 541)

29. SEGMENT REPORTING

Management has determined the operating segments based on the reports reviewed by the executive management team (chief operating decision-maker) for the purpose of assessing performance, allocating resources and making strategic decisions.

The executive management considers the business from a geographic perspective with reference to the performance of South Africa and other international operations. Revenue includes excise duty.

The reportable operating segments derive their revenue primarily from the production, marketing and distribution of alcoholic beverages and other non-alcoholic items.

The Group is not reliant on any one major customer due to the large number of customers and their dispersion across geographical areas.

Financial liabilities are also not reviewed on a segmental basis and are not disclosed separately.

The executive management team assesses the performance of the operating segments based on a measure of adjusted operating profit. This measurement basis excludes, for example, corporate service cost centres such as global marketing, corporate governance, corporate affairs, business improvement, human resources, information technology, corporate finance, supply chain and the effects of equity-settled share-based payments and unrealised gains/losses on financial instruments that are shown separately under "corporate". Finance income and finance costs are also not allocated to segments as this type of activity is driven by the central treasury function, which manages the cash position of the Group.

Operating segments that have been aggregated meets the majority of the aggregation criteria as per IFRS 8 paragraph 12. In addition they have similar economic characteristics based on similar gross profit margin. The operating segments that have been aggregated within the 'rest of international' column consist out of Asia Pacific, Taiwan, North America, Latin America and Travel Retail.

The segment information provided to the executive management team for the reportable segments are as follows:

	South Africa R'000	BLNS R'000	Rest of Africa R'000	Europe R'000	Rest of Inter- national R'000	Corporate R'000	Total R'000
2017							
Revenue	16 493 452	1 830 798	1 028 748	1 335 493	1 515 808	54 954	22 259 253
Costs of goods sold	(11 120 549)	(1 205 374)	(672 319)	(903 969)	(702 108)	(296 806)	(14 901 125)
Material costs and overheads	(11 120 549)	(1 205 374)	(672 319)	(903 969)	(702 108)	(231 233)	(14 835 552)
Currency conversion gains and losses	-	-	-	-	-	(65 573)	(65 573)
Gross profit	5 372 903	625 424	356 429	431 524	813 700	(241 852)	7 358 128
Operating costs	(2 340 865)	(225 262)	(201 783)	(313 961)	(581 806)	(1 337 776)	(5 001 453)
Operating profit before allocations	3 032 038	400 162	154 646	117 563	231 894	(1 579 628)	2 356 675
Equity-accounted earnings and dividend income	-	-	26 498	-	(5 345)	45 384	66 537
EBIT before allocations	3 032 038	400 162	181 144	117 563	226 549	(1 534 244)	2 423 212
Allocations	(167 519)	(58 595)	(19 828)	(14 485)	(10 846)	271 273	-
EBIT after allocations	2 864 519	341 567	161 316	103 078	215 703	(1 262 971)	2 423 212
Other gains and losses	-	-	-	-	-	(289 917)	(289 917)
Equity-accounted earnings and dividend income	-	-	(26 498)	-	5 345	(45 384)	(66 537)
Operating profit	2 864 519	341 567	134 818	103 078	221 048	(1 598 272)	2 066 758
EBIT before allocations							
Attributable to:							
Equity holders of the company	3 033 502	398 698	186 361	117 563	234 085	(1 546 822)	2 423 387
Non-controlling interest	(1 464)	1 464	(5 217)	-	(7 536)	12 578	(175)
	3 032 038	400 162	181 144	117 563	226 549	(1 534 244)	2 423 212
Non-current assets	5 340 001	95 941	564 908	2 458 945	32 320	-	8 492 115
2016	South Africa R'000	BLNS R'000	Rest of Africa R'000	Europe R'000	Rest of Inter- national R'000	Corporate R'000	Total R'000
Revenue	15 362 115	1 748 679	1 103 484	1 639 887	1 614 994	961	21 470 120
Costs of goods sold	(10 158 302)	(1 139 763)	(696 045)	(1 012 262)	(716 552)	(44 740)	(13 767 664)
Material costs and overheads	(10 158 302)	(1 139 763)	(696 045)	(1 012 262)	(716 552)	(170 033)	(13 892 957)
Currency conversion gains and losses	-	-	-	-	-	125 293	125 293
Gross profit	5 203 813	608 916	407 439	627 625	898 442	(43 779)	7 702 456
Operating costs	(2 390 404)	(210 700)	(259 619)	(475 655)	(650 143)	(1 286 233)	(5 272 754)
Operating profit before allocations	2 813 409	398 216	147 820	151 970	248 299	(1 330 012)	2 429 702
Equity-accounted earnings and dividend income	-	-	56 862	-	(6 678)	15 359	65 543
EBIT before allocations	2 813 409	398 216	204 682	151 970	241 621	(1 314 653)	2 495 245
Allocations	(244 704)	(22 043)	(10 789)	(13 870)	(9 773)	301 179	-
EBIT after allocations	2 568 705	376 173	193 893	138 100	231 848	(1 013 474)	2 495 245
Other gains and losses	-	-	-	-	-	(78 081)	(78 081)
Equity-accounted earnings and dividend income	-	-	(56 862)	-	6 678	(15 359)	(65 543)
Operating profit	2 568 705	376 173	137 031	138 100	238 526	(1 106 914)	2 351 621
EBIT before allocations							
Attributable to:							
Equity holders of the company	2 813 409	398 216	215 393	151 970	241 621	(1 325 269)	2 495 340
Non-controlling interest	-	-	(10 711)	-	-	10 616	(95)
	2 813 409	398 216	204 682	151 970	241 621	(1 314 653)	2 495 245
Non-current assets	5 111 533	70 100	345 912	2 782 583	2 041	-	8 312 169

Note: BLNS = Botswana, Lesotho, Namibia and Swaziland
EBIT = Earnings before interest and tax.

Segment information, including the comparative figures, have been restated to align with the current year segmentation as reported by management.

30. COMMITMENTS

	2017 R'000	2016 R'000
Capital commitments		
Capital expenditure contracted, not yet incurred	657 552	893 322
Capital expenditure authorised by the directors, not yet contracted	2 416 566	1 163 271
	3 074 118	2 056 593
Composition of capital commitments		
Subsidiaries	3 074 118	2 056 593
	3 074 118	2 056 593

These commitments will be incurred in the coming year and will be financed by own and borrowed funds, comfortably contained within established gearing constraints.

Operating lease commitments

The Group leases various farming land, warehouses, machinery, equipment and vehicles under non-cancellable operating lease agreements. The leases have varying terms, renewal rights and escalation clauses. The majority of escalation clauses are linked to the CPI or equivalent inflation rate.

The future minimum lease payments under non-cancellable operating leases are as follows:

Not later than one year	100 577	67 821
Later than one year and not later than five years	159 434	90 347
Later than five years	31 153	30 995
	291 164	189 163

31. FINANCIAL INSTRUMENTS BY CATEGORY

Financial instruments disclosed in the statement of financial position include interest-bearing borrowings, financial assets, cash and cash equivalents, trade and other receivables and trade and other payables.

The following is a summary of financial instrument categories applicable to the Group:

	Assets at amortised cost R'000	Assets at fair value through profit and loss R'000	Available- for-sale R'000	Liabilities at fair value through profit and loss R'000	Other financial liabilities at amortised cost R'000	Total R'000
2017						
Available-for-sale financial assets (note 4)	-	-	29 671	-	-	29 671
Loans and receivables (note 4)	133 595	-	-	-	-	133 595
Cash and cash equivalents	1 183 120	-	-	-	-	1 183 120
Trade and other receivables	2 821 078	-	-	-	-	2 821 078
Derivative financial instruments (note 9)	-	9 613	-	(6 593)	-	3 020
Interest-bearing borrowings (note 13)	-	-	-	-	(4 843 414)	(4 843 414)
Trade and other payables	-	-	-	-	(2 403 299)	(2 403 299)
	4 137 793	9 613	29 671	(6 593)	(7 246 713)	(3 076 229)

2016

Available-for-sale financial assets (note 4)	-	-	79 708	-	-	79 708
Loans and receivables (note 4)	181 195	-	-	-	-	181 195
Cash and cash equivalents	1 032 402	-	-	-	-	1 032 402
Trade and other receivables	2 547 805	-	-	-	-	2 547 805
Derivative financial instruments (note 9)	-	10 883	-	(17 668)	-	(6 785)
Interest-bearing borrowings (note 13)	-	-	-	-	(4 926 589)	(4 926 589)
Trade and other payables	-	-	-	-	(2 259 258)	(2 259 258)
	3 761 402	10 883	79 708	(17 668)	(7 185 847)	(3 351 522)

32. FINANCIAL RISK MANAGEMENT**32.1 Financial risk factors**

The board of directors oversees the adequacy and functioning of the entire system of risk management and internal control, assisted by management. Group internal audit provides independent assurance on the entire risk management and internal control system. Regional and subsidiary company management are responsible for managing performance, underlying risks and effectiveness of operations, within the rules set by the board, supported and supervised by Group departments. The audit and risk committees review the internal control environment and risk management systems within the Group and it reports its activities to the board. The board members receive reports on treasury activities, including confirmation of compliance with treasury risk management policies.

The Group's activities exposes it to a variety of financial risks: market risk (including interest rate risk and foreign currency risk), credit risk and liquidity risk. The board approves prudent treasury policies for managing each of the risks summarised below.

The Group's corporate treasury department is responsible for controlling and reducing exposure to interest rate, liquidity and currency transaction risks. Senior executives and advisers meet on a regular basis to analyse currency and interest rate exposures and re-evaluate treasury management strategies against revised economic forecasts. Group policies, covering specific areas such as foreign exchange risk, interest rate risk, credit risks, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity, are reviewed annually by the board. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and responsibilities. The Group treasury department does not undertake speculative financial transactions.

32.1(a) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group is not materially exposed to equity price risk on investments held and classified in the consolidated statement of financial position as available-for-sale.

(i) Foreign currency risk management

The Group operates internationally and has transactional currency exposures, which principally arise from commercial transactions, recognised assets and liabilities and investment in foreign operations. In order to manage this risk the Group may enter into transactions in terms of approved policies and limits which make use of financial instruments that include forward foreign exchange contracts. Foreign subsidiaries do not have material transactional currency exposures as they mainly operate in their functional currencies.

The Group does not speculate or engage in the trading of financial instruments.

The Group is primarily exposed to the currency of the US dollar and euro. If the rand had weakened/strengthened by 10% against the USD on 30 June 2017, with all other variables remaining constant, the post-tax profit for the year would have been R17.8 million (2016: R24.7 million) lower/higher, mainly as a result of translating outstanding foreign currency denominated monetary items.

Similarly, had the rand at 30 June 2017 weakened/strengthened by 10% against the euro, with all other variables remaining constant, the post-tax profit for the year would have been R29.4 million (2016: R29.5 million) lower/higher.

(ii) **Price risk management**

The Group is exposed to equity securities price risk because of investments held by the Group and classified as available-for-sale on the consolidated statement of financial position. The Group is not exposed to commodity price risk. To manage the price risk the Group diversifies its portfolio.

(iii) **Interest rate risk management**

The Group's interest rate risk arises from long-term borrowings. Borrowings at variable interest rates expose the Group to cash flow interest rate risk, while fixed rate borrowings expose the Group to fair value interest rate risk.

The Group is exposed to interest rate risk arising from the repricing of forward cover and floating rate debt as well as incremental funding/new borrowings and the rollover of maturing debt/refinancing of existing borrowings.

The management of the actual debt and investment portfolios is done by adjusting the repricing and maturity profiles of the debt and/or investment portfolios from time to time, relative to that of the benchmark portfolios as well as using derivative instruments to alter the repricing profiles of the actual portfolios relative to the benchmark portfolios.

As at 30 June 2017, if the floating interest rates had been 100 basis points higher/lower and all other variables held constant, the Group's post-tax profit for the year would have increased/decreased as a result of interest received/paid on cash and cash equivalents and borrowings by R26.9 million (2016: R30.9 million).

The other financial instruments in the Group's statement of financial position are not exposed to interest rate risk.

32.1(b) **Credit risk management**

Potential concentrations of credit risk principally exist for trade and other receivables, cash and cash equivalents and derivative financial instruments. The Group only deposits cash with banks with high credit ratings. Trade receivables comprise a large, widespread customer base and the Group performs ongoing credit evaluations of the financial condition of these customers. The type of customers range from wholesalers and distributors to smaller retailers. The granting of credit is controlled by a robust application process and the credit limits assigned to each individual customer are reviewed and updated on an ongoing basis taking into consideration its financial position, past experience and other factors. The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

At year-end the Group's cash was invested with financial institutions with the following Moody's short-term credit rating:

	2017	2016
	R'000	R'000
P-1	1 181 639	1 030 728
P-2	246	280
Cash	1 235	1 394
	1 183 120	1 032 402

The Group is exposed to credit-related losses in the event of non-performance by counterparties relating to derivative financial instruments. The counterparties to these contracts are major financial institutions. The Group continually monitors its positions and the credit ratings of its counterparties and limits the extent to which it enters into contracts with any one party.

The carrying amount of the financial assets recorded in the financial statements, which is net of impaired losses, represents the Group's maximum exposure to credit risk.

The Group is also exposed to credit-related losses in the event of non-performance by counterparties to financial guarantee contracts relating to vineyard development loans to certain farmers of R29.4 million (2016: R30.4 million) and staff housing loans of R2.5 million (2016: R2.5 million). The guarantees relating to vineyard development loans are secured by mortgage bonds over farming property with a market value in excess of the loan obligations. The Group continually monitors its positions and limits its exposure with any one party.

At 30 June 2017 the Group did not consider there to be a significant concentration of credit risk which had not been adequately provided for.

32.1(c) Liquidity risk management

The Group manages liquidity risk through the compilation and monitoring of cash flow forecasts, as well as ensuring that adequate borrowing facilities are maintained. Refer to note 13 regarding the Group's unutilised banking facilities and reserve borrowing capacities. Banking facilities are renewed annually and are subject to review at various dates during the next year.

The table below analyses the Group's financial liabilities and derivative financial instruments which will be settled on a gross basis into relevant maturity groupings based on the remaining period at the statement of financial position date to contract maturity date. The amounts disclosed in the table are the contracted undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	0 – 12 months R'000	1 – 2 years R'000	3 – 5 years R'000	Beyond 5 years R'000	2017 Total R'000	2016 Total R'000
Financial liabilities						
Forward exchange contracts held for trading						
– Outflow	899 940	–	–	–	899 940	397 044
– Inflow	899 162	–	–	–	899 162	380 766
Trade and other payables	2 399 501	–	–	–	2 399 501	2 259 510
Financial guarantees	31 909	–	–	–	31 909	30 343
Interest-bearing borrowings	1 531 791	255 557	3 897 437	–	5 684 785	5 359 622

32.2 Fair value estimation

The table below analyses assets and liabilities carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Specific valuation techniques used to value these assets and liabilities include:

Cash and cash equivalents, trade and other receivables and loans: The carrying amounts reported in the statement of financial position approximate fair values due to the short-term maturities of these amounts.

Available-for-sale financial assets: The fair value is based on quoted bid prices at the statement of financial position date. The fair value of financial instruments that are not trading in an active market is determined by using various valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument would be included in level 3. Several valuation techniques are used included discounted cash flow analysis for level 2 and 3 financial assets.

Forward foreign exchange contracts: Forward foreign exchange contracts are entered into to cover import orders and export proceeds, and fair values are determined using foreign exchange bid or offer rates at year-end as the significant inputs in the valuation.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June:

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
2017				
Available-for-sale financial assets	15 558	14 073	40	29 671
Derivative financial assets	–	9 613	–	9 613
Derivative financial liabilities	–	(15 708)	–	(15 708)
	15 558	7 978	40	23 576
2016				
Available-for-sale financial assets	15 532	18 036	46 140	79 708
Derivative financial assets	–	10 883	–	10 883
Derivative financial liabilities	–	(17 668)	–	(17 668)
	15 532	11 251	46 140	72 923

There were no transfers between level 1 and level 2 during the year.

The movement in level 3 assets for the year ended 30 June is as follows:

	2017 R'000	2016 R'000 Restated
Opening balance	46 140	67 466
Impairments	(46 100)	(28 080)
Gains and losses recognised in the statements of comprehensive income	–	6 754
Balance at the end of the year	40	46 140

There were no transfers into or out of level 3 investments during the year.

32.3 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated statement of financial position plus net debt.

During 2017 the Group's strategy, which was unchanged from 2016, was to maintain the gearing ratio where debt is adequately serviced by the Group's earnings, so maintaining the current investment grade rating of the Group. The investment grade credit rating has been maintained throughout the period. The gearing ratio at 30 June 2016 and 2017 was as follows:

	2017 R'000	2016 R'000
Total borrowings (note 13)	4 843 414	4 926 589
Less: Cash and cash equivalents	(1 183 120)	(1 032 402)
Net debt	3 660 294	3 894 187
Total equity	10 843 250	10 672 259
Total capital	14 503 544	14 566 446
Gearing ratio	25.2%	26.7%

33. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

33.1 Acquisition of KWA Holdings E.A. Limited (Kheal)

Acquisition of additional interest in subsidiary: KWA Holdings E.A. Limited

On 3 April 2017 the Group acquired an additional 26.43% of the issued share capital of KWA Holdings E.A. Limited (KHEAL) for a purchase consideration of 1.09 billion Kenyan Shillings. The carrying amount of the 26% non-controlling interest in KHEAL on the date of acquisition was R115.4 million. The Group recorded a loss on the previously held equity interest of R4.3 million. The loss is included in “other gains and losses” in the consolidated income statement for the year ended 30 June 2017.

The acquisition provides the Group access to the highly attractive and growing East African market. It will allow the Group to offer its customers an even broader range of products. KHEAL's presence in Kenya provides Distell with enhanced sales capability and route-to-market opportunities. As a result of the acquisition the Group is also expected to consolidate its existing presence in this market as well as reduce cost through economies of scale. The goodwill of R50.5 million arising from the acquisition is attributable to the acquired customer base and economies of scale expected from combining the operations of the Group and KHEAL. None of the goodwill recognised is expected to be deductible for income tax purposes. In the current period an expense of R0.6 million relating to the finalisation of this transaction has been charged to “administration and other costs” in the consolidated income statement of the year ended 30 June 2017.

The effect of changes in the ownership interest of KHEAL on the equity attributable to owners of the company during the year is summarised as follows:

	2017 R'000	2016 R'000
Consideration		
Cash	136 568	–
Total consideration transferred	136 568	–
Fair value of equity interest in KHEAL held before the business combination	111 076	–
Carrying value of equity interest	115 375	–
Loss on previously held equity interest	(4 299)	–
Total consideration	247 644	–
Recognised amounts of identifiable assets acquired and liabilities assumed		
Property, plant and equipment	199 064	–
Trademarks, trade names and customer relationships (included in intangibles)	172 129	–
Retirement benefit assets	8 276	–
Inventories	103 436	–
Trade and other receivables	38 940	–
Cash and cash equivalents	40 329	–
Interest-bearing borrowings	(8 418)	–
Deferred income tax liabilities	(79 583)	–
Trade and other payables	(68 916)	–
Current income tax liabilities	(610)	–
Total identifiable net assets	404 647	–
Non-controlling interest	(207 509)	–
Goodwill	50 506	–
Total	247 644	–

The revenue of KHEAL included in the consolidated income statement since 3 April 2017 was R121.8 million and the company contributed profit of R1.0 million over the same period.

33.2 Acquisition of Imported Premium Vodka Company Limited (“IPVC”)

Acquisition of interest in subsidiary: Imported Premium Vodka Company Limited

In March 2017 the Group acquired a 75% interest in the issued share capital of IPVC the owner of the premium Cruz Vodka brand, for a purchase consideration of R91.2 million.

The consideration paid for IPVC, the total net assets and goodwill, is summarised as follows:

	2017 R'000	2016 R'000
Consideration		
Cash	81 857	–
Contingent consideration	9 300	–
Total consideration transferred	91 157	–
Recognised amounts of identifiable assets acquired and liabilities assumed		
Trademarks, trade names and customer relationships (included in intangibles)	108 153	–
Trade and other receivables	13 390	–
Deferred income tax liabilities	(30 283)	–
Total identifiable net assets	91 260	–
Non-controlling interest	(22 815)	–
Goodwill	22 712	–
Total	91 157	–

Acquisition-related cost of R0.5 million have been charged to “administration and other costs” in the consolidated income statement for the year ended 30 June 2017.

The contingent consideration is payable in cash to the founders of IPVC, within a three-year period of the closing of the transaction, subject to the Cruz Vodka brand achieving specified sales volume targets during the following three financial years to 30 June 2020. The contingent consideration provided at 30 June 2017 is R9.3 million. The potential undiscounted amount of all future payments that the Group could be required to make under this arrangement is between Rnil and R16.1 million.

The Group has also entered into forward contracts to acquire the remaining 25% issued shares of the company at fair value in terms of a set formula and certain performance conditions being met any time after 30 June 2018. The Group recognised a redemption liability of R37.3 million relating to the forward contracts and this amount is included in trade payables in the Statement of Financial Position on 30 June 2017, with a corresponding debit recognised in reserves (note 11), as the forward contracts do not result in a transfer of risks and rewards of ownership of the 25% during the option period.

Distell has the exclusive right to distribute the Cruz Vodka brand in South Africa and BLNS countries.

33.3 Disposal of Lomond Wine Estates Proprietary Limited

Disposal of interest in subsidiary

In September 2016 the Group sold its 84% interest in the issued share capital of Lomond Wine Estates Proprietary Limited to the minority shareholders for a sale consideration of R31.4 million.

The consideration received for Lomond, the total net assets and goodwill, is summarised as follows:

	2017 R'000	2016 R'000
Consideration		
Cash	20 587	–
Deferred payment	10 812	–
Total consideration received	31 399	–
The book value of identifiable assets and liabilities disposed were as follows:		
Goodwill	5 511	–
Property, plant and equipment	44 012	–
Current assets	6 706	–
Cash	46	–
Current liabilities	(12 603)	–
Deferred income tax liabilities	(1 064)	–
Total book value of net assets	42 608	–
Non-controlling interest and other reserves	(7 914)	–
Loss on sale of interest in subsidiary	(3 295)	–
Total	31 399	–

34. DIRECTORS' EMOLUMENTS

	Executive	2017 Non- executive	Total	Executive	2016 Non- executive	Total	
	R'000	R'000	R'000	R'000	R'000	R'000	
Salaries and fees	9 612	7 398	17 010	8 639	5 294	13 933	
Payments on retirement	–	–	–	706	–	706	
Incentive bonuses	4 594	–	4 594	1 780	–	1 780	
Retirement fund contributions	988	–	988	1 793	–	1 793	
Medical aid contributions	79	–	79	83	–	83	
Vehicle and other benefits ¹⁷	731	300	1 031	811	254	1 065	
Paid by subsidiaries	16 004	7 698	23 702	13 812	5 548	19 360	
	Salaries	Incentive	Retire- ment fund contri- butions	Medical aid contri- butions	Vehicle benefits	2017 Total	2016 Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Executive							
RM Rushton	6 354	3 392	579	39	418	10 782	7 805
MJ Botha ¹	–	–	–	–	–	–	2 917
LC Verwey ²	3 258	1 202	409	40	313	5 222	3 090
Subtotal	9 612	4 594	988	79	731	16 004	13 812

			Retirement fund contri- butions	Medical aid contri- butions	Other benefits	2017 Total	2016 Total
	Fees R'000	Incentive bonuses R'000	R'000	R'000	R'000	R'000	R'000
Non-executive							
PE Beyers ³	376	–	–	–	20	396	337
JG Carinus ⁴	–	–	–	–	–	–	81
GP Dingaan ⁵	806	–	–	–	5	811	580
JJ Durand ⁶	526	–	–	–	23	549	430
DP du Plessis ⁷	780	–	–	–	28	808	164
KA Hedderwick ⁸	137	–	–	–	–	137	–
E de la H Hertzog ⁹	–	–	–	–	–	–	182
PR Louw ¹⁰	377	–	–	–	24	401	–
MJ Madungandaba	273	–	–	–	25	298	256
EG Matenge- Sebesho ¹¹	480	–	–	–	28	508	128
LM Mojela ¹²	376	–	–	–	13	389	340
DM Nurek ¹³	888	–	–	–	22	910	1 327
CA Otto ¹⁴	428	–	–	–	30	458	352
AC Parker ¹⁵	887	–	–	–	28	915	507
CE Sevillano- Barredo ¹⁶	791	–	–	–	32	823	591
BJ van der Ross	273	–	–	–	22	295	273
Subtotal	7 398	–	–	–	300	7 698	5 548
Total	17 010	4 594	988	79	1 031	23 702	19 360

1. Mr MJ Botha retired on 31 December 2015.
2. Mr LC Verwey was appointed as Group finance director from 1 September 2015 to succeed Mr MJ Botha.
3. Mr PE Beyers is a member of the investment subcommittee.
4. Mr JG Carinus resigned on 28 October 2015.
5. Ms GP Dingaan is chairperson of the social and ethics committee and a member of the audit, risk and compliance and investment committees
6. Mr JJ Durand is chairperson of the board and of the investment sub-committee and a member of the remuneration and the nomination committees.
7. Mr DP du Plessis is chairperson of the risk and compliance committee and a member of the audit and social and ethics committees.
8. Mr KA Hedderwick resigned on 14 February 2017.
9. Dr D de la H Hertzog resigned on 17 February 2016.
10. Mr PR Louw is a member of the audit, risk and compliance, remuneration and investment committees.
11. Ms EG Matenge-Sebesho is a member of the risk and compliance committee.
12. Ms LM Mojela is a member of the remuneration and nomination committees.
13. Mr DM Nurek resigned on 24 November 2016.
14. Mr CA Otto is a member of the investment subcommittee.
15. Mr AC Parker is the lead independent director and chairperson of the remuneration and nomination committees and member of the investment subcommittee.
16. Ms CE Sevillano-Barredo is chairperson of the audit committee and member of the investment and risk and compliance committees.
17. Directors receive an allowance to purchase products from the Group's brand portfolio.

35. INTEREST OF DIRECTORS IN SHARE CAPITAL AND CONTRACTS

On 30 June 2017 and on 30 June 2016, as well as on the date of this report, the directors of the company held in total less than 1% of the company's issued share capital.

Interests of the directors in the number of shares issued

Ordinary shares

	Beneficial	Direct Non- beneficial	Beneficial	Non- beneficial	Indirect 2017 Total	2016 Total
DM Nurek	–	–	–	–	–	15 000
	–	–	–	–	–	15 000

The other directors of the company have no interest in the issued capital of the company. There was no change in these interests since the financial year-end.

The directors of the company have each certified that they did not have any interest in any contract of significance to the company or any of its subsidiaries which would have given rise to a related conflict of interest during the year.

36. SHARE AND SHARE APPRECIATION RIGHT SCHEMES

Share Scheme

In the financial years ended 30 June 2017 and 30 June 2016 no additional shares were offered to directors and no shares are available for delivery in the share scheme.

Distell Share Appreciation Right Scheme

In the current financial year 101 181 (2016: 198 567) share appreciation rights (SARs) were offered to directors.

Current status

Share appreciation rights

Participant	SARs accepted prior to 30 June 2016	SARs accepted in the year to 30 June 2017	Offer price (Rand)	Number of SARs exercised prior to 30 June 2016	Number of SARs exercised in the year to 30 June 2017	Share price on exercise date (Rand)	Increase in value* R000	Balance of SARs accepted as at 30 June 2017
Executive								
RM Rushton	342 834	–	139.00	–	–	–	–	342 834
RM Rushton	28 941	–	129.00	–	–	–	–	28 941
RM Rushton	142 116	–	170.30	–	–	–	–	142 116
RM Rushton	–	45 867	165.02	–	–	–	–	45 867
LC Verwey	48 450	–	152.00	–	–	–	–	48 450
LC Verwey	56 451	–	170.30	–	–	–	–	56 451
LC Verwey	–	55 314	165.02	–	–	–	–	55 314
Total	618 792	101 181	–	–	–	–	–	719 973

*Refers to the increase in value of the SARs of the indicated participants from the offer date to the exercise date during the current financial year. See note 10 for details of the scheme.

Bonus shares

In the current financial year no additional (2016: Nil) shares were offered to the managing director.

Current status

Ordinary shares

Participant	Shares accepted prior to 30 June 2016	Shares accepted in the year to 30 June 2017	Offer price (Rand)	Number of shares paid and delivered prior to 30 June 2016	Number of shares exchanged for cash payment in the year to 30 June 2017	Share price on date of payment and delivery (Rand)	Bonus value* R000	Balance of shares accepted as at 30 June 2017
Executive								
RM Rushton	230 000	–	–	–	230 000	–	38 031	–

*Refers to the total cash bonus paid to the indicated participant during the current financial year. The Remuneration committee exercised is right to award a cash payment in stead of shares to the participant. The shares/bonus offered was a once-off award in lieu of benefits forfeited upon termination of his employment at his previous employer.

37. RELATED-PARTY TRANSACTIONS

Distell Group Limited is controlled by Remgro-Capevin Investments Limited which owns 52.8% of the company's shares. The Public Investment Corporation (PIC) owns 27.7% of the company's shares.

Related-party relationships exist between the Group, associates, joint ventures and the shareholders of the company.

	2017 R'000	2016 R'000
Group		
The following transactions were carried out with subsidiaries of our major shareholders:		
Purchases of goods and services		
Holding company		
Remgro Management Services Limited (management services)	14 003	13 102
Remgro Management Services Limited (interest on loans)	16 200	16 889
Joint ventures		
LUSAN Holdings Proprietary Limited (goods and services)	107 512	99 982
Tonnellerie Radoux (SA) Proprietary Limited (goods and services)	3 036	5 305
Solamoyo Processing Company Proprietary Limited (goods and services)	1 355	1 068
Sale of goods and services		
Joint ventures		
Tonnellerie Radoux (SA) Proprietary Limited (administration fees)	257	240
LUSAN Holdings Proprietary Limited (administration fees)	245	245
LUSAN Holdings Proprietary Limited (marketing support)	5 646	7 817
Year-end balances arising from purchases of goods and services		
Current account		
Holding company		
Remgro Management Services Limited (including VAT)	1 330	1 245
Joint ventures		
Tonnellerie Radoux (SA) Proprietary Limited (current account)	(733)	(9 050)
Solamoyo Processing Company Proprietary Limited (current account)	3 864	4 345
Loan account		
Other related parties	4 509	7 271
Joint ventures		
LUSAN Holdings Proprietary Limited (loan account)	104 754	154 754
Les Domaines de Mauricia Limitee (loan account)	–	417
Associates		
Papkuilsfontein Vineyards Proprietary Limited (loan account)	14 546	14 546
Loans to related parties (Note 4)	123 809	176 988
The Group has access to loan funds from Remgro Management Services Limited. A limited amount can be borrowed at a market-related rate and is repayable on demand. No amount was outstanding at the end of the current or previous financial years.		
Key management compensation		
The executive committee of Distell Limited, the main operating company in the Group	55 031	38 365

Also refer to notes 34, 35, 40 and 41.

Company

Refer to notes 18 and 21 for dividends received from subsidiaries.

38. EVENTS SUBSEQUENT TO STATEMENT OF FINANCIAL POSITION DATE

The directors are not aware of any matter or circumstance, other than the two matters referred to below, arising since the end of the financial year that would significantly affect the operations of the Group or the results of its operations.

1. Acquisition of 26% interest in Best Global Brands Limited (BGB)

Introduction

In July 2017 the Group acquired 26% of the ordinary shares of BGB for USD54.6 million. The payment of the upfront purchase consideration is subject to a clawback or top-up once closing accounts have been finalised and the net debt and working capital of BGB at closing have been confirmed. A further deferred purchase consideration payment of USD15.2 million is due should BGB's Angolan operations obtain an import duty waiver on the importation of raw materials into Angola within a period of 12 months from closing.

The Group has also entered into an agreement to acquire the remaining 74% of the ordinary shares of BGB, which will become effective no earlier than the end of 2019 once certain operating hurdles are achieved and conditions precedent to closing are fulfilled or waived. The purchase consideration will be determined based on a 9.3x multiple of BGB's last 12 months after tax operating performance. The operating hurdles will be measured every six months from 30 June 2019 to 30 June 2022 against agreed upon criteria in relation to *inter alia* (i) volumes delivered by the Angola operations (ii) externalisation of cash remittances from the Angola operations to other group companies and (iii) minimum group profitability margins being achieved. The hurdles have been put in place for the benefit of both Distell and the sellers to ensure that the business is operating on a normalised and sustainable basis when the additional 74% is acquired.

Overview of BGB

BGB is the holding company of a group of companies which own, manufacture and distribute the fast growing mainstream "Best" spirit brand in countries throughout Africa. The Best brand achieved volumes in excess of 30 million litres for the 12 months ending 30 June 2017 with Best whisky and Best cream comprising the largest proportion of those volumes. Best is the market leader in the mainstream spirits category in Angola and has a strong and growing presence in Nigeria, Kenya and Zambia.

BGB is a newly established group following a restructuring of the business. BGB's *pro forma* profit after tax for the period ended 31 March 2016 is estimated at USD33.0 million. This estimation was derived by applying the relevant income tax rates across the territories BGB operates in to the *pro forma* operating profit of BGB for the period ended 31 March 2016, which was verified in accordance with IFRS during due diligence. BGB's net asset value at closing is expected to be USD7 million, it being noted that tangible and intangible assets were not fair valued when BGB was constituted.

Strategic rationale

The acquisition of the strategic interest in BGB will enable Distell to advance its strategy of becoming the leading spirits, wine and RTD company across Africa.

- Best is a well-established pan-African brand founded in 1998 and is the leading mainstream spirits brand in both whisky and cream in Angola and the leading mainstream cream spirits brand in Nigeria. The brand is experiencing strong growth in various other African countries most notably Kenya and Zambia.
- Best's market-leading positions in Angola and Nigeria are underpinned by strong and established route-to-market capabilities in these countries.
- BGB operates modern state of the art production facilities in Angola and Nigeria which provide a competitive advantage in both cost of production and speed to market.
- BGB is a profitable and cash-generative group and the acquisition will step-change Distell's African division by providing scale and efficiency in the spirits category.

BGB and Distell expect the transaction to generate significant synergies in the short to medium-term, especially in procurement, route-to-market and production, which will unlock further value for both parties.

Distell will fund the initial acquisition consideration from internal cash resources. The acquisition is expected to be accretive to Distell's headline earnings per share from the first year.

2. Restructuring of the shareholding structure of Distell Group Limited

Distell currently has a multi-tiered ownership structure, in which Remgro Limited and Capevin Holdings Limited (Capevin) own a material interest via Remgro-Capevin Investments Proprietary Limited (RCI). Remgro and Capevin each hold 50% in RCI, and RCI has a 52.8% direct interest in Distell.

Remgro currently has an effective economic interest of 31.4% in Distell, via its 50% shareholding in RCI and its 19.0% shareholding in Capevin. Capevin's 50% interest in RCI is Capevin's only asset.

The board of directors has resolved, subject to a number of conditions, to simplify the multi-tiered shareholding structure of Distell through schemes of arrangement which are summarised below.

A new entity, Distell Group Holdings Limited (DGHL), will effectively acquire RCI's and all other shareholders' direct and indirect interest in Distell in exchange for shares directly in DGHL, which will be listed on the JSE Limited (JSE) and Distell will be delisted.

DGHL will issue shares to all the shareholders of Capevin (The Capevin Scheme) and all the shareholders of Distell other than RCI (Distell Minorities) (the Distell Scheme) in exchange for their shares in Capevin and Distell, respectively, with the result that DGHL will own all the ordinary shares in Distell via Capevin and RCI, respectively. The issue of DGHL ordinary shares to all Capevin shareholders and Distell Minorities will ensure that they retain their current effective economic interest in Distell. Immediately prior to implementation of the Distell Scheme and Capevin Scheme, Remgro will exchange all of its RCI shares for further shares in Capevin (the RCI-Related Capevin Shares), resulting in Remgro holding 59.5% of Capevin (the RCI Exchange) and, therefore, controlling Capevin and, indirectly through RCI, also Distell. Capevin shareholders other than Remgro (Capevin Minorities) will be required to approve the issue of the RCI-Related Capevin Shares to Remgro in terms of the RCI Exchange and will also have to approve the Capevin Scheme.

Post its creation and listing, and prior to implementation of the schemes of arrangement referred to above, DGHL will also issue unlisted voting shares (the B Shares) to Remgro. The B Shares will have no economic rights, but will provide Remgro with the same level of voting rights in Distell as it held pursuant to the RCI Exchange, namely 52.8%. The requisite number of B Shares will be issued to Remgro (the B Share Issuance) and will be "stapled" to those DGHL ordinary shares that Remgro will receive in exchange for its RCI-Related Capevin Shares in terms of the Capevin Scheme (the Stapled Ordinary Shares). The B Shares and accompanying Stapled Ordinary Shares provide Remgro with a 52.8% voting interest in DGHL. In terms of the Capevin Scheme, Remgro will also receive DGHL ordinary shares in exchange for its current 19.0% interest in Capevin, however those DGHL ordinary shares will not be stapled to B Shares.

DGHL will be listed on the JSE Limited (JSE) and Distell will be delisted.

If implemented, the restructuring will:

- dismantle the multi-tiered ownership structure above Distell;
- leave Distell shareholders with exactly the same economic interest in DGHL;
- increase the free float in DGHL on the stock exchange operated by the JSE; and
- result in the control of DGHL vesting in Remgro (via one or more of its subsidiaries) through the prior issuance of unlisted voting B shares in DGHL to Remgro.

All steps referred to above are inter-conditional and may be subject to regulatory approvals in various jurisdictions. Shareholders are advised to refer to further detailed circulars, pre-listing statements and SENS-announcements relating to the proposed restructuring.

39. INTEREST IN SUBSIDIARIES

The total profits/(losses) after taxation of consolidated subsidiaries for the year are as follows:

	2017 R'000	2016 R'000
Profits	1 585 895	1 763 645
Losses	(325 229)	(247 585)
Net consolidated profit after taxation	1 260 666	1 516 060
The Company's direct interests in its subsidiaries are as follows:		
South African Distilleries and Wines (SA) Limited (85%) – Unlisted	694 059	991 561
Long-term loan – interest-free and repayable on demand	571 801	869 303
Share-based payment contribution	122 257	122 257
Shares	1	1
Distell International Holdings Limited (United Kingdom) (100%) – Unlisted	297 296	2 144
Shares	297 296	2 144
Distell Beverages (RF) Proprietary Limited	1 837 162	1 741 175
Variable rate cumulative redeemable preference shares	869 411	869 411
Cumulative arrear preference shares dividend	967 751	871 764
Investments in subsidiaries	2 828 517	2 734 880

The company's indirect interest in subsidiaries through South African Distilleries and Wines (SA) Limited and Distell International Holdings Limited is as follows:

Manufacturers and distributors	Nature of business	Issued share capital	
		Interest %	R
Anhui Dangshan Distell Haisheng Co Ltd (China)	Manufacturer and distributor	51	40 621 500
Bisquit Dubouché et Cie (France)	Manufacturer and distributor	100	405 036 148
Distell International Limited (United Kingdom)	Manufacturer and distributor	100	360 205 109
Devon Road Property Proprietary Limited	Manufacturer	100	100
Distell Angola Limitada (Angola)	Distributor	95	68 066 045
Distell Botswana (Proprietary) Limited (Botswana)	Distributor	100	3
Distell Ghana Limited (Ghana)	Distributor	100	20 178 649
Distell (Hong Kong) Limited (Hong Kong)	Distributor	100	19 520 165
Distell Mauritius Limited	Investment company	100	430 272 739
Distell Limited	Manufacturer and distributor	100	1 000
Distell Namibia Limited (Namibia)	Distributor	100	4 000
Distell Swaziland Limited (Swaziland)	Distributor	100	10 000
Durbanville Hills Wines Proprietary Limited	Manufacturer	72	981 700
Ecowash Proprietary Limited	Dormant	100	100
Expo Liquor Limited	Dormant	100	4 066 625
Imported Premium Vodka Company Limited	Brand owner	75	109 143 005
KWA Holdings E.A. Limited (Kenya)	Manufacturer and distributor	52	62 640 000
Lomond Development Company Limited	Dormant	100	100
Mirma Products Proprietary Limited	Farming	45	450
Namibia Wines & Spirits Limited (Namibia)	Distributor	100	100 000
Nederburg Wine Farms Limited	Farming	100	200
Nederburg Wines Proprietary Limited	Manufacturer	100	218 870
SFW Financing Company Limited	Dormant	100	70 000
SFW Holdings Limited	Investment company	100	200
Stellenbosch Farmers Winery Limited	Dormant	100	7
Other			
Henry C Collison & Sons Limited (United Kingdom)		100	82 792

Notes:

1. Information is only disclosed in respect of those subsidiaries of which the financial position or results are significant.
2. All subsidiaries are incorporated in South Africa, unless otherwise stated.
3. Cumulative arrear dividends relating to the preference shares in Distell Beverages (previously known as WIPHOLD Beverages) on 30 June 2017 amounted to R968 million (2016: R872 million). The preference shares have a dividend rate of CPI (excluding owner's equivalent rent) plus 7%.

40. **INTEREST IN UNLISTED ASSOCIATES**

	Nature of the business	2017 R'000	2016 R'000
The Group's interest in associates is as follows:			
Tanzania Distilleries Limited (Tanzania) (35%)	Manufacturer and distributor	104 037	91 046
Cost price		13 352	13 352
Equity-accounted retained earnings		90 685	77 694
Grays Inc. Limited (Mauritius) (26%)	Distributor	29 283	32 994
Cost price		6 949	6 949
Equity-accounted retained earnings		22 334	26 045
Papkuilsfontein Vineyards Proprietary Limited (49%)	Farming	238	361
Cost price		–	–
Equity-accounted retained earnings		238	361
KWA Holdings E.A. Limited (Kenya) (26%)	Manufacturer and distributor	–	112 848
Cost price		–	111 282
Equity-accounted retained earnings		–	1 566
Investments in associates		133 558	237 249
Share in net assets of associates		124 482	181 569
Goodwill		9 076	55 680
		133 558	237 249

The aggregate statements of financial position of associates are summarised as follows:

	Tanzania Distilleries Limited	Grays Inc. Limited	Other	2017 Total	2016 Total
Property, plant and equipment	167 029	31 124	14 699	212 852	366 438
Financial and intangible assets	24 715	31 289	104	56 108	37 918
Current assets	401 353	304 020	496	705 869	1 276 281
Total assets	593 097	366 433	15 299	974 829	1 680 637
Interest-free liabilities	398 616	101 888	51	500 555	901 827
Interest-bearing liabilities	–	146 656	14 636	161 292	143 606
Total liabilities	398 616	248 544	14 687	661 847	1 045 433
Equity	194 482	117 889	611	312 982	635 204
Non-controlling interest	(97 023)	(91 104)	(373)	(188 500)	(453 635)
Group's share in equity	97 459	26 785	238	124 482	181 569
Loans to associates	–	–	14 637	14 637	14 392
Group's share in net assets of associates	97 459	26 785	14 875	139 119	195 961
Tanzania Distilleries Limited (35%)				97 459	84 468
Grays Inc. Limited (26%)				26 785	30 496
Papkuilsfontein Vineyards Proprietary Limited (49%)				238	361
KWA Holdings E.A. Limited (26%)				–	66 244
				124 482	181 569
The Group's interest in the revenue and profit of the associates is as follows:					
Revenue	375 001	197 436	669	573 106	808 665
Profit for the year	10 857	44 859	(131)	55 585	50 590

Notes:

1. All associates are incorporated in South Africa, unless otherwise stated.
2. The statutory year-ends of Tanzania Distilleries Limited (31 March) and Grays Inc. Limited (31 December) are different to those of the rest of the Group. The associates are equity accounted using management prepared information on a basis coterminous with the Group's accounting reference date.
3. During the current financial year the Group acquired a further 26.4% of the issued share capital of KHEAL (note 33) and it is now disclosed under subsidiaries.

41. **INTEREST IN JOINT VENTURES**

	Nature of the business	2017 R'000	2016 R'000
The Group's interest in joint ventures is as follows:			
Afdis Holdings (Private) Limited (Zimbabwe) (50%)	Manufacturer and distributor	69 295	65 273
Cost price		23 938	23 938
Equity-accounted retained earnings		45 357	41 335
Les Domaines de Mauricia Limitee (Mauritius) (50%)	Distributor	–	168
Cost price		–	20
Equity-accounted retained earnings		–	148
LUSAN Holdings Proprietary Limited (50%)	Manufacturer and distributor	135 494	96 970
Cost price		1	1
Equity-accounted retained earnings		135 493	96 969
Solamoyo Processing Company Proprietary Limited (40%)	Effluent management	(135)	(157)
Cost price		–	–
Equity-accounted retained earnings		(135)	(157)
TD Spirits LLC (USA) (50%)	Distributor	37 858	41 774
Cost price		54 757	48 380
Equity-accounted retained earnings and exchange differences		(16 899)	(6 606)
Tonnellerie Radoux (SA) Proprietary Limited (50%)	Manufacturer and distributor of maturation vats	9 770	9 971
Cost price		220	220
Equity-accounted retained earnings		9 550	9 751
Investments in joint ventures		252 282	213 999

The aggregate statements of financial position of joint ventures are summarised as follows:

	LUSAN Holdings Proprietary Limited	Afdis Holdings (Private) Limited	Other	2017 Total	2016 Total
Non-current assets					
Property, plant and equipment	231 937	125 582	9 258	366 777	429 776
Biological assets	1 329	–	–	1 329	30 198
Intangible assets	1 087	–	–	1 087	2 026
Deferred income tax assets	25 888	–	283	26 171	24 942
Long-term loans and investments	–	4 289	–	4 289	50 868
Current assets					
Inventories	91 193	58 792	87 634	237 619	282 642
Trade and other receivables	19 873	56 728	19 452	96 053	88 049
Current income tax assets	–	–	185	185	846
Financial assets	–	–	1 698	1 698	10 211
Cash and cash equivalents	135 291	98 524	18 338	252 153	193 658
Total assets	506 598	343 915	136 848	987 361	1 113 216
Non-current liabilities					
Shareholders' loan	209 509	–	–	209 509	309 925
Borrowings	–	–	30 296	30 296	47 339
Deferred income taxation liabilities	16 550	21 656	–	38 206	34 216
Current liabilities					
Bank overdrafts and borrowings	7	–	–	7	39 205
Trade payables and provisions	20 314	85 357	32 188	137 859	138 659
Current income tax liability	97	533	–	630	6 319
Total liabilities	246 477	107 546	62 484	416 507	575 663
Equity	260 121	236 369	74 364	570 854	537 553
Non-controlling interest	(124 627)	(167 074)	(26 871)	(318 572)	(323 554)
Group's share in equity	135 494	69 295	47 493	252 282	213 999
Loans to joint ventures	104 754	–	–	104 754	155 171
Group's share in net assets of joint ventures	240 248	69 295	47 493	357 036	369 170
The revenue and profit of the joint ventures are as follows:					
Revenue	104 393	338 849	237 955	681 197	465 795
Profit for the year	80 694	34 379	(17 295)	97 778	38 216

Notes:

1. All joint ventures are incorporated in South Africa, unless otherwise stated.
2. There are no contingent liabilities relating to the Group's interest in the joint ventures and no contingent liabilities of the ventures itself.

ANALYSIS OF SHAREHOLDERS

at 30 June 2017

	Number of holders	% of holders	Number of ordinary shares	% of issued shares
DISTRIBUTION OF SHAREHOLDERS				
Public shareholders	6 179	99.79	40 170 007	18.06
Non-public shareholders	13	0.21	182 212 349	81.94
Major beneficial shareholders	2	0.03	178 998 297	80.49
Directors, including those of subsidiaries, and their associates	9	0.14	216 058	0.10
Distell Share Appreciation Right Scheme (SAR Scheme)	1	0.02	346 048	0.16
Distell Beverages (RF) Proprietary Limited	1	0.02	2 651 946	1.19
	6 192	100.00	222 382 356	100.00
			2017	2016
NUMBER OF SHARES IN ISSUE				
Total number of shares in issue			222 382 356	222 109 356
Shares accounted for as treasury shares				
The Distell Group Share Trust and SAR Scheme			(346 048)	(248 302)
Distell Beverages (RF) Proprietary Limited			(2 651 946)	(2 651 946)
			219 384 362	219 209 108
WEIGHTED NUMBER OF SHARES			219 298 364	219 037 582
MAJOR BENEFICIAL SHAREHOLDERS				
The following shareholders have a holding of greater than 5% of the issued shares of the company:				
			Number of shares	% of total
Remgro-Capevin Investments Proprietary Limited			117 348 000	52.8
Public Investment Corporation ¹			61 650 297	27.7

Note:

1. This number includes shares held by the Government Employees Pension Fund, Unemployment Insurance Fund and Compensation Commissioner Pension Fund.

DISTELL GROUP LIMITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The South African Companies Act (No. 71 of 2008) (the Act) requires the directors to prepare annual financial statements for each financial year which fairly present the state of affairs of the company and the Group and the profits or losses for the period.

In preparing these annual financial statements, they must:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether set accounting standards have been followed, subject to any material departures disclosed and explained in the annual financial statements; and
- prepare the annual financial statements on the going concern basis unless it is inappropriate to presume the Group will continue in business.

The directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company, to ensure the financial statements comply with the Act. They have general responsibility for taking such steps as are reasonably accessible to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

These annual financial statements are prepared in accordance with International Financial Reporting Standards and incorporate full and responsible disclosure in line with the accounting policies of the Group, supported by reasonable and prudent judgements and estimates.

The board of directors approves any change in accounting policy, with their effects fully explained in the annual financial statements.

The directors have reviewed the Group's budget and cash flow projections for the period to 30 June 2017. Based on these projections, and considering the Group's current financial position and the financing facilities available to it, they are satisfied it has adequate resources to continue its operations in the foreseeable future. The annual financial statements were prepared on a going concern basis.

No event, material to the understanding of this report, has occurred between the financial year-end and the date of this report.

A copy of the annual financial statements of the Group is available on the company's website. The directors are responsible for the maintenance and integrity of statutory and audited information on the company's website.

The annual financial statements as set out on pages 91 to 144 were supervised by the Group financial director, Lucas Verwey CA(SA), approved by the board of directors and are signed on its behalf:

DM Nurek
Chairman

RM Rushton
Group Managing Director

Stellenbosch
31 August 2016

CERTIFICATE BY THE COMPANY SECRETARY

I, Lizelle Malan, being company secretary of Distell Group Limited, hereby certify that all returns and notices of Distell Group Limited required in terms of the Companies Act (No. 71 of 2008), as amended, have in respect of the year under review, been filed with the Companies and Intellectual Property Commission and that all such returns and notices appear to be true, correct and up to date.

L Malan

Company Secretary

Stellenbosch

31 August 2016

CURRENCY OF FINANCIAL STATEMENTS

The annual financial statements are expressed in South African rand (R). The rand cost of a unit of the following major currencies at 30 June was:

	2016	2015
US dollar	14,9	12,2
UK pound	19,9	19,3
Euro	16,5	13,7
Canadian dollar	11,5	9,9
Botswana pula	1,4	1,2
Australian dollar	11,1	9,4

AUDIT AND RISK COMMITTEE REPORT

to the shareholders of Distell Group Limited

The audit and risk committee has pleasure in submitting this report, as required in terms of the Companies Act (No. 71 of 2008). The audit and risk committee consists of three non-executive directors who act independently. During the year under review four meetings were held and the attendance of committee members is listed in the corporate governance report. At the meetings the members fulfilled all their functions as prescribed by the Companies Act. A detailed list of the functions of the audit and risk committee is contained in the corporate governance report. The audit and risk committee has satisfied itself that the auditors are independent of the company and are thereby able to conduct their audit functions without any influence from the company.

CE Sevillano-Barredo

Chairperson of the audit and risk committee

Stellenbosch

31 August 2016

REPORT OF THE BOARD OF DIRECTORS

for the year ended 30 June 2016

The board has pleasure in reporting on the activities and financial results for the year under review:

NATURE OF ACTIVITIES

The company is an investment holding company with interests in liquor-related companies.

The Group is South Africa's leading producer and marketer of wines, spirits, ciders and ready-to-drinks.

GROUP FINANCIAL REVIEW

Results

	2016 R'000	2015 R'000
Year ended 30 June		
Revenue	21 470 120	19 588 970
Operating profit	2 351 621	2 129 056
Attributable earnings	1 531 986	1 437 136
– Per share (cents)	699,4	657,4
Headline earnings	1 610 648	1 434 561
– Per share (cents)	735,3	656,2
Total assets	19 941 891	17 807 768
Total liabilities	(9 269 632)	(8 251 371)

The annual financial statements on pages 91 to 60 set out fully the financial position, results of operations and cash flows of the Group for the financial year ended 30 June 2016.

Dividends

Total dividends for the year (R'000)*	831 398	762 663
– Per share (cents)	379,0	346,0

* The final dividend of 214,0 cents (2015: 188,0 cents) per share was declared after year-end and was therefore not provided for in the annual financial statements. Refer to note 27 to the annual financial statements for payment details.

SUBSIDIARY COMPANIES AND INVESTMENTS

Particulars of subsidiary companies, associated companies and joint venture companies are disclosed in notes 38 to 40.

DIRECTORS

Ms EG Matenge-Sebesho and Dr DP du Plessis have been appointed as non-executive directors with effect from 25 November 2015 and Mr JG Carinus resigned as non-executive director with effect from 28 October 2015. Mr LC Verwey has been appointed as Group finance director with effect from 1 September 2015 and as executive director with effect from 25 January 2016 to succeed Mr MJ Botha who retired at the end of December 2015. Dr E de la H Hertzog resigned as non-executive director with effect from 17 February 2016 and Mr KA Hedderwick has been appointed as an independent non-executive director with effect from 22 June 2016.

SHARE SCHEMES

There were no changes to the Group's share schemes in the current financial year.

Refer to note 10 to the annual financial statements for full details on the Share Scheme as well as the Distell Equity Settled Share Appreciation Right Scheme (the SAR Scheme).

DIRECTORS' INTERESTS AND EMOLUMENTS

Particulars of the emoluments of directors and their interests in the issued share capital of the Company and in contracts are disclosed in notes 34 to 36 to the annual financial statements.

EVENTS SUBSEQUENT TO STATEMENT OF FINANCIAL POSITION DATE

The directors are not aware of any matter or circumstance arising since the end of the financial year that would significantly affect the operations of the Group or the results of its operations.

HOLDING COMPANY

The holding company of the Group is Remgro-Capevin Investments Proprietary Limited.

APPROVAL

The annual financial statements set out on pages 91 to 160 have been approved by the board.
Signed on behalf of the board of directors:

DM Nurek
Chairman

RM Rushton
Group Managing Director

Stellenbosch
31 August 2016

REPORT OF THE INDEPENDENT AUDITOR

TO THE SHAREHOLDERS OF DISTELL GROUP LIMITED

We have audited the consolidated and separate financial statements of Distell Group Limited set out on pages 91 to 159, which comprise the statements of financial position as at 30 June 2016, income statements, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Distell Group Limited as at 30 June 2016, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 30 June 2016, we have read the Report of the Board of Directors, the Audit and Risk Committee's Report and the Certificate by the Company Secretary for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Distell Group Limited for 28 years. The business of Distell Group Limited was previously transacted through Stellenbosch Farmers Winery Group Limited and Distillers Corporation (SA) Limited, of which, based on available statutory records, PricewaterhouseCoopers Inc. and its predecessor firms have been the auditor for 71 years.

PricewaterhouseCoopers Inc.

Director: H Zeelie

Registered Auditor

Stellenbosch

31 August 2016

STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE

		GROUP		COMPANY	
	Notes	2016 R'000	2015 R'000	2016 R'000	2015 R'000
ASSETS					
Non-current assets					
Property, plant and equipment	2	5 015 510	4 351 965	–	–
Biological assets	3	100 866	105 914	–	–
Loans and receivables	4	181 195	191 159	–	–
Available-for-sale financial assets	4	79 708	99 754	–	–
Investments in subsidiaries	5	–	–	2 734 880	2 645 044
Investments in associates	5	237 249	233 685	–	–
Investments in joint ventures	5	213 999	160 423	–	–
Intangible assets	6	2 004 191	1 879 680	–	–
Retirement benefit assets	14	343 420	310 985	–	–
Deferred income tax assets	15	136 031	101 686	–	–
Total non-current assets		8 312 169	7 435 251	2 734 880	2 645 044
Current assets					
Inventories	7	7 900 649	7 509 937	–	–
Trade and other receivables	8	2 659 749	2 223 009	–	–
Current income tax assets		36 922	20 204	–	–
Cash and cash equivalents	28.7	1 032 402	619 367	53	–
Total current assets		11 629 722	10 372 517	53	–
Total assets		19 941 891	17 807 768	2 734 933	2 645 044
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	10	749 506	741 145	752 611	752 607
Non-distributable and other reserves	11	1 912 259	1 559 216	137 515	137 515
Retained earnings	12	7 995 232	7 236 753	1 844 807	1 754 922
Attributable to equity holders of the company		10 656 997	9 537 114	2 734 933	2 645 044
Non-controlling interest		15 262	19 283	–	–
Total equity		10 672 259	9 556 397	2 734 933	2 645 044
Non-current liabilities					
Interest-bearing borrowings	13	1 200 000	3 323 446	–	–
Retirement benefit obligations	14	27 509	24 243	–	–
Deferred income tax liabilities	15	723 429	627 983	–	–
Total non-current liabilities		1 950 938	3 975 672	–	–
Current liabilities					
Trade and other payables	16	3 234 972	3 017 128	–	–
Interest-bearing borrowings	13	3 726 589	870 378	–	–
Provisions	17	321 781	331 655	–	–
Current income tax liabilities		35 352	56 538	–	–
Total current liabilities		7 318 694	4 275 699	–	–
Total equity and liabilities		19 941 891	17 807 768	2 734 933	2 645 044

INCOME STATEMENTS
FOR THE YEARS ENDED 30 JUNE

		GROUP		COMPANY	
	Notes	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Revenue	18	21 470 120	19 588 970	873 234	819 593
Operating costs	19	(19 040 418)	(17 454 599)	(2)	–
Costs of goods sold		(13 767 664)	(12 813 730)	–	–
Sales and marketing costs		(3 211 513)	(2 699 733)	–	–
Distribution costs		(1 087 991)	(1 120 368)	–	–
Administration and other costs		(973 250)	(820 768)	(2)	–
Other gains and losses	20	(78 081)	(5 315)	–	–
Operating profit		2 351 621	2 129 056	873 232	819 593
Dividend income	21	7 501	6 698	–	–
Finance income	22	21 002	23 241	–	–
Finance costs	23	(281 790)	(259 711)	–	–
Share of equity-accounted earnings	24	58 042	89 401	–	–
Profit before taxation		2 156 376	1 988 685	873 232	819 593
Taxation	25	(624 485)	(569 024)	–	–
Profit for the year		1 531 891	1 419 661	873 232	819 593
Attributable to:					
Equity holders of the company		1 531 986	1 437 136	873 232	819 593
Non-controlling interest		(95)	(17 475)	–	–
		1 531 891	1 419 661	873 232	819 593
Earnings per ordinary share (cents)	26				
Basic		699.4	657.4		
Diluted		697.1	654.9		

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED 30 JUNE

	Notes	GROUP		COMPANY	
		2016 R'000	2015 R'000	2016 R'000	2015 R'000
Profit for the year		1 531 891	1 419 661	873 232	819 593
Other comprehensive income (net of taxation)					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Fair value adjustments					
– available-for-sale financial assets	11	(17 319)	5 692	–	–
Currency translation differences		242 494	178 460	–	–
<i>Items that will not be reclassified to profit or loss:</i>					
Remeasurements of post-employment benefits	11	82 464	60 863	–	–
Share of other comprehensive income of associates	5	(1 003)	(194)	–	–
Other comprehensive income		306 636	244 821	–	–
Total comprehensive income for the year		1 838 527	1 664 482	873 232	819 593
Attributable to:					
Equity holders of the company		1 838 755	1 683 154	873 232	819 593
Non-controlling interest		(228)	(18 672)	–	–
		1 838 527	1 664 482	873 232	819 593

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 30 JUNE

Group	Notes	Attributable to equity holders				Total R'000	Non- controlling interest	Total equity
		Share capital and premium R'000	Treasury shares R'000	Non- distributable and other reserves R'000	Retained earnings R'000		R'000	R'000
2016								
Balance at 1 July 2015		752 607	(11 462)	1 559 216	7 236 753	9 537 114	19 283	9 556 397
Comprehensive income								
Profit for the year		-	-	-	1 531 986	1 531 986	(95)	1 531 891
Other comprehensive income (net of taxation)								
Fair value adjustments:								
- available-for-sale financial assets	11	-	-	(17 319)	-	(17 319)	-	(17 319)
Currency translation differences	11	-	-	242 627	-	242 627	(133)	242 494
Remeasurements on post-employment benefits	11	-	-	82 464	-	82 464	-	82 464
Share of other comprehensive income of associates	5	-	-	(1 003)	-	(1 003)	-	(1 003)
Total other comprehensive income		-	-	306 769	-	306 769	(133)	306 636
Total comprehensive income for the year		-	-	306 769	1 531 986	1 838 755	(228)	1 838 527
Transactions with owners								
Employee share scheme:								
- proceeds from ordinary shares issued	10	4	(4)	-	-	-	-	-
- shares paid and delivered	10	-	8 361	-	-	8 361	-	8 361
- value of employee services		-	-	46 274	-	46 274	-	46 274
Dividends paid	28.4	-	-	-	(773 507)	(773 507)	(3 793)	(777 300)
Total contributions by and distributions to owners		4	8 357	46 274	(773 507)	(718 872)	(3 793)	(722 665)
Changes in ownership interests in subsidiaries that do not result in a loss of control								
Transactions with non-controlling interests		-	-	-	-	-	-	-
Total transactions with owners		4	8 357	46 274	(773 507)	(718 872)	(3 793)	(722 665)
Balance at 30 June 2016		752 611	(3 105)	1 912 259	7 995 232	10 656 997	15 262	10 672 259

Group	Notes	Attributable to equity holders				Total R'000	Non- controlling interest	Total equity
		Share capital and premium R'000	Treasury shares R'000	Non- distributable and other reserves R'000	Retained earnings R'000		R'000	R'000
2015								
Balance at 1 July 2014		743 944	(16 235)	1 296 617	6 545 297	8 569 623	31 532	8 601 155
Comprehensive income								
Profit for the year		–	–	–	1 437 136	1 437 136	(17 475)	1 419 661
Other comprehensive income (net of taxation)								
Fair value adjustments:								
– available-for-sale financial assets	11	–	–	5 692	–	5 692	–	5 692
Currency translation differences	11	–	–	179 657	–	179 657	(1 197)	178 460
Remeasurements on post-employment benefits	11	–	–	60 863	–	60 863	–	60 863
Share of other comprehensive income of associates	5	–	–	(194)	–	(194)	–	(194)
Total other comprehensive income		–	–	246 018	–	246 018	(1 197)	244 821
Total comprehensive income for the year		–	–	246 018	1 437 136	1 683 154	(18 672)	1 664 482
Transactions with owners								
Employee share scheme:								
– proceeds from ordinary shares issued	10	8 663	(8 663)	–	–	–	–	–
– shares paid and delivered	10	–	13 436	–	–	13 436	–	13 436
– value of employee services		–	–	31 265	–	31 265	–	31 265
Dividends paid	28.4	–	–	–	(745 680)	(745 680)	(831)	(746 511)
Total transactions with owners		8 663	4 773	31 265	(745 680)	(700 979)	(831)	(701 810)
Changes in ownership interests in subsidiaries that do not result in a loss of control								
Transactions with non-controlling interests		–	–	(14 684)	–	(14 684)	7 254	(7 430)
Total transactions with owners		8 663	4 773	16 581	(745 680)	(715 663)	6 423	(709 240)
Balance at 30 June 2015		752 607	(11 462)	1 559 216	7 236 753	9 537 114	19 283	9 556 397

Attributable to equity holders					
Company	Notes	Share capital and premium R'000	Non-distributable and other reserves R'000	Retained earnings R'000	Total R'000
2016					
Balance at 1 July 2015		752 607	137 515	1 754 922	2 645 044
Comprehensive income					
Profit for the year		–	–	873 232	873 232
Total comprehensive income for the year		–	–	873 232	873 232
Transactions with owners					
Proceeds of ordinary shares issued	10	4	–	–	4
Issue of shares – BEE transaction	34	–	–	–	–
Dividends paid	28.4	–	–	(783 347)	(783 347)
Total transactions with owners		4	–	(783 347)	(783 343)
Balance at 30 June 2016		752 611	137 515	1 844 807	2 734 933
2015					
Balance at 1 July 2014		743 944	137 515	1 690 900	2 572 359
Comprehensive income					
Profit for the year		–	–	819 593	819 593
Total comprehensive income for the year		–	–	819 593	819 593
Transactions with owners					
Proceeds of ordinary shares issued	10	8 663	–	–	8 663
BEE share-based payment		–	–	–	–
Dividends paid	28.4	–	–	(755 571)	(755 571)
Total transactions with owners		8 663	–	(755 571)	(746 908)
Balance at 30 June 2015		752 607	137 515	1 754 922	2 645 044

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 30 JUNE

		GROUP		COMPANY	
	Notes	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Cash flows from operating activities					
Operating profit		2 351 621	2 129 056	873 232	819 593
Non-cash flow items	28.1	857 954	512 207	(89 887)	(64 022)
Working capital changes	28.2	(729 136)	(529 325)	–	–
Cash generated from operations		2 480 439	2 111 938	783 345	755 571
Dividend income	21	7 501	6 698	–	–
Finance income	22	21 002	23 241	–	–
Finance costs		(264 968)	(220 319)	–	–
Taxation paid	28.3	(617 204)	(504 671)	–	–
Net cash generated from operating activities		1 626 770	1 416 887	783 345	755 571
Cash flows from investment activities					
Purchases of property, plant and equipment (PPE) to maintain operations	28.5	(425 686)	(321 801)	–	–
Purchases of PPE to expand operations	28.6	(612 867)	(446 580)	–	–
Proceeds from sale of PPE		19 787	14 550	–	–
Purchases of financial assets		(4 577)	(146)	–	(8 663)
Proceeds from financial assets		63 346	44 159	2 195	–
Purchases of associates and joint ventures		(48 380)	(111 282)	–	–
Purchases of intangible assets		(83 047)	(13 120)	–	–
Acquisition of subsidiaries, net of cash acquired		–	(7 430)	(2 144)	–
Cash outflow from investment activities		(1 091 424)	(841 650)	51	(8 663)
Cash flows from financing activities					
Proceeds from ordinary shares issued		8 361	13 436	4	8 663
Proceeds from interest-bearing borrowings		69 259	356 361	–	–
Dividends paid to company's shareholders	28.4	(773 507)	(745 680)	(783 347)	(755 571)
Cash outflow from financing activities		(695 887)	(375 883)	(783 343)	(746 908)
Decrease in net cash, cash equivalents and bank overdrafts		(160 541)	199 354	53	–
Cash, cash equivalents and bank overdrafts at the beginning of the year		230 868	7 335	–	–
Exchange gains on cash, cash equivalents and bank overdrafts		32 075	24 179	–	–
Cash, cash equivalents and bank overdrafts at the end of the year	28.7	102 402	230 868	53	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of preparation

The annual consolidated and separate financial statements of Distell Group Limited are prepared in accordance with and comply with International Financial Reporting Standards (IFRS) and the IFRS Interpretations Committee (IFRS IC), and the SAICA Financial Reporting Guides as issued by SAICA's Accounting Practices Committee (APC) and the South African Companies Act (No. 71 of 2008). The annual financial statements are prepared on the historical cost convention, as modified by the revaluation of certain financial instruments and biological assets to fair value.

Standards, interpretations and amendments to published standards that are not yet effective

Management considered all new accounting standards, interpretations and amendments to IFRS that were issued prior to 30 June 2016, but not yet effective on that date. Management is in the process of assessing the impact of these standards, interpretations and amendments on the reported results of the Group. The standards that are applicable to the Group, but that were not implemented early, are the following:

- Amendments to IFRS 10: Consolidated Financial Statements and IAS 28: Investments in Associates and Joint Ventures – on sale of or contribution of assets (Postponed) (initially 1 January 2016)
- Amendments to IFRS 10: Consolidated Financial Statements and IAS 28: Investments in Associates and Joint Ventures – on applying the consolidation exemption (effective 1 January 2016)
- Amendment to IFRS 11: Joint Arrangements – on acquisition of an interest in a joint operation (effective 1 January 2016)
- IFRS 14 – Regulatory Deferral Accounts (effective 1 January 2016)
- Amendments to IAS 1: Presentation of Financial Statements – disclosure initiative on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies (effective 1 January 2016)
- Amendments to IAS 16: Property, Plant and Equipment and IAS 38: Intangible Assets – on depreciation and amortisation (effective 1 January 2016)
- Amendments to IAS 16: Property, Plant and Equipment and IAS 41: Agriculture – Classification on bearer plants (effective 1 January 2016)
- Amendments to IAS 27: Separate Financial Statements – on equity accounting (effective 1 January 2016)
- Amendments to IAS 12: Income Taxes – issued to clarify the requirements for recognising deferred tax assets on unrealised losses (effective 1 January 2017)
- Amendments to IAS 7: Cash Flow Statements (effective 1 January 2017)
- IFRS 15: Revenue from Contracts with Customers (effective 1 January 2018)
- Amendment to IFRS 15: Revenue from Contracts with Customers (effective 1 January 2018)
- IFRS 9: Financial Instruments – on financial liabilities, derecognition of financial instruments, financial assets and general hedge accounting (effective 1 January 2018)
- Amendment to IFRS 9: Financial Instruments – on general hedge accounting (effective 1 January 2018)
- Amendment to IFRS 2: Classification of share-based payment transactions (effective 1 January 2018)
- IFRS 16: Leases (effective 1 January 2019)
- Annual Improvements 2012 – 2014 cycle (effective 1 January 2016)
- Amendment to IFRS 5: Non-current Assets Held for Sale and Discontinued Operations – on the changes in methods of disposal
- Amendment to IFRS 7: Financial Instruments – Disclosures – on the offsetting disclosures to condensed interim financial statements
- Amendment to IFRS 7: Financial Instruments – Disclosures – on servicing contracts
- Amendment to IAS 19: Employee Benefits – on the discount rate
- Amendment to IAS 34: Interim Financial Reporting – on the disclosure of information elsewhere in the interim financial report

1.2 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future and these accounting estimates are an integral part of the preparation of financial statements. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

a) *Estimated impairment of goodwill and intangible assets*

The Group tests annually whether goodwill and the intangible assets with indefinite useful lives have suffered any impairments, in accordance with the accounting policy stated in note 1.9. The recoverable amounts of cash-generating units are determined as being the higher of the value-in-use or fair value less costs to sell. Calculation of these amounts requires the use of estimates. Further details are provided in note 6.

b) *Income taxes*

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax assets and liabilities in the period in which such determination is made.

c) *Retirement benefits*

The present value of the pension obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost/(income) for pension include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash flows expected to be required to settle the pension obligations. In determining the appropriate discount rate the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

Other key assumptions for pension obligations are based in part on current market conditions. Further details are provided in note 14.

d) *Biological assets*

The Group owns bearer biological assets in the form of grapevines and certain assumptions and estimates are used to calculate the fair value of grapevines. Further details regarding assumptions and estimates are provided in note 1.7 and note 3.

e) *Impairment of available-for-sale financial assets*

The Group follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement the Group evaluates, among factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, and operational and financing cash flow.

f) *Business combinations*

Where the Group acquires control of another business the consideration transferred has to be allocated to the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquired business, with any residual recorded as goodwill. This process involves management making an assessment of the fair value of these items. Management's judgement is particularly involved in the recognition and measurement of the following items:

- Intellectual property, which includes patents, licences, trademarks and similar rights for currently marketed products.
- Contingencies such as legal and environmental matters.
- The recoverability of any accumulated tax losses previously incurred by the acquired company.

In all cases management makes an assessment based on the underlying economic substance of the items concerned, and not only on the contractual terms, in order to fairly present these items.

g) Property, plant and equipment

It is necessary for the Group to make use of judgement when determining the useful life of the property, plant and equipment. Further details are provided in note 2.

h) Consolidation of entities where the Group holds less than 50%

The Group is one of the two largest shareholders in Mirma Products Proprietary Limited with a 45% equity interest. The Group buys more than 98% of the total product produced by Mirma Products Proprietary Limited. There is no history of other shareholders forming a group to exercise their votes collectively. Based on the absolute size of the Group's shareholding, as well as the business model of Mirma Products Proprietary Limited, management has concluded that the Group has sufficiently dominant interest to have the power to direct the relevant activities of the entity.

1.3 Basis of consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) which are, directly or indirectly, controlled by the Group. Control is established where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which effective control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

If the business combination is achieved in stages the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement. Transactions with owners are recognised in equity only when control is not lost.

Intercompany transactions, balances, income and expenses on transactions between Group companies are eliminated. Unrealised gains and losses resulting from intercompany transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The investment of Distell Group Limited in the ordinary shares of its subsidiary, South African Distilleries and Wines (SA) Limited, is carried at cost less impairment losses in the separate financial statements.

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit

or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Associates

Associates are all entities over which the Group has significant influence, generally accompanying a shareholding of between 20% and 50% of the voting rights, and over which the Group exercises significant influence, but which it does not control. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income, with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of equity-accounted earnings' in the income statement.

Unrealised gains and losses resulting from intercompany transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising on investment in associates are recognised in the income statement.

Joint ventures

The Group applies IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed, where necessary, to ensure consistency with the policies adopted by the Group.

1.4 Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are prepared in South African rand (R) which is the company's functional and the Group's presentation currency.

Foreign Group entities

The results and the financial position of all Group entities that have a functional currency that is different from the presentation currency of the Group are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position.
- Income and expenses for each income statement presented are translated at the average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions).
- All resulting exchange differences are recognised in other comprehensive income as part of a foreign currency translation reserve (FCTR).
- On consolidation, exchange rate differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, if applicable, are also taken to the FCTR. When a foreign operation is sold all related exchange rate differences that were recorded in the FCTR are recognised in the income statement as part of the profit or loss on sale. When a partial disposal takes place the FCTR is proportionately reattributed to the non-controlling shareholders in terms of IAS 21. The Group's net investment in a subsidiary or joint venture is equal to the equity investment plus all monetary items that are receivable from or payable to the subsidiary or joint venture, for which settlement is neither planned nor likely to occur in the foreseeable future.
- Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the income statement within 'other (losses)/gains – net'.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are recorded in other comprehensive income.

1.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (executive management team). Operating segments are individual components of an entity that engage in business activities from which it may earn revenues and incur expenses, and whose operating results are regularly reviewed by the entity's chief operating decision-maker and for which discrete financial information is available. Operating segments which display similar economic characteristics are aggregated for reporting purposes.

1.6 Property, plant and equipment

Property, plant and equipment are tangible assets held by the Group for use in manufacturing and distribution of its products and are expected to be used during more than one period. All property, plant and equipment are stated at historical costs less subsequent depreciation and accumulated impairment. The historical cost includes all expenditure that is directly attributable to the acquisition of the property, plant and equipment and is depreciated on a straight-line basis, from the date that assets are available for use, at rates appropriate to the various classes of assets involved, taking into account the estimated useful life and residual values of the individual items. Land is not depreciated as it is deemed to have an unlimited useful life. Improvements to leasehold properties are recognised as property, plant and equipment when it is probable that future economic benefits will flow to the Group. Improvements to leasehold properties are shown at cost and written off over the remaining period of the lease.

Management determines the estimated useful lives and the related depreciation charges at acquisition.

Useful lives:

Buildings	5 – 60 years
Stainless steel tanks	3 – 45 years
Other machinery and barrels	2 – 45 years
Equipment and vehicles	2 – 33 years
Capitalised finance lease vehicles	4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, to the extent that it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is calculated as the higher of the asset's fair value less cost to sell and the value in use. Also refer to note 1.9 for impairment of non-financial assets.

Gains and losses on disposal or scrapping of property, plant and equipment, being the difference between the net proceeds on disposals or scrappings and the carrying amount, are recognised in the income statement within 'other (losses)/gains'.

1.7 **Biological assets**

Biological assets consist of grapevines and are measured on initial recognition and at the end of each reporting period at its fair value less costs to sell.

Gains and losses arising from changes in fair value less costs to sell are included in 'administration and other costs' in the income statement in the period in which they arise.

Grapes harvested from the Group's biological assets are measured at its fair value less costs to sell at the point of harvest. Such measurement is the cost at that date when transferring the harvest produce to inventory.

The determination of fair value less costs to sell of biological assets requires significant management judgement and, amongst others, the following factors are considered: the discount rate, productive life of grapevines, rental value of farm land and expected sales prices.

1.8 **Intangible assets**

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in the fair value of the net identifiable assets of the acquired subsidiaries at the date of acquisition. Goodwill on acquisition of subsidiaries is included in 'intangible assets'. Goodwill on acquisition of associates and joint ventures is included in 'investments in associates' or 'investments in joint ventures' and is tested for impairment as part of the overall balance. Goodwill denominated in a foreign currency is translated at closing rates.

Trademarks

Separately acquired trademarks are shown at historical cost. Trademarks that have a finite useful life are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks over their estimated useful lives. Trademarks are deemed as having an indefinite useful life when there is no foreseeable limit on the time the trademarks are expected to provide future cash flows. Trademarks that are deemed to have an indefinite useful life are carried at cost less accumulated impairment losses and tested annually for impairment.

Industrial property rights

Industrial property rights are intangible assets held by the Group for use in manufacturing and distribution of its products and are expected to be used during more than one period. All industrial property rights are stated at historical costs less subsequent amortisation and accumulated

impairment. The historical cost includes all expenditure that is directly attributable to the acquisition of the industrial property rights and is amortised on a straight-line basis, from the date that assets are available for use, over 60 years, taking into account the residual values.

Computer software

Acquired computer software (which is not an integral part of computer hardware) and software licences and the direct costs associated with the development and installation thereof are capitalised.

Costs associated with developing or maintaining software are recognised as an expense when incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use it or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee cost and an appropriate portion of relevant overheads.

Computer software is amortised on the straight-line method over its estimated useful life (three to five years) when available for use.

1.9 Impairment of non-financial assets

Assets that have an indefinite useful life – or intangible assets not ready for use – are not subject to amortisation and are tested for impairment annually. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the full carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units (CGUs)). Non-financial assets, other than goodwill, that suffered impairment are reviewed for possible reversal of impairment at each reporting date.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

1.10 Financial assets

Classification

The Group classifies its financial assets in the following categories:

- Financial assets at fair value through profit and loss
- Loans and receivables
- Available-for-sale financial assets

The classification is dependent on the purpose for which the financial asset was acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held-for-trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months of the end of the reporting period.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the end of the reporting period.

Recognition and measurement

Regular purchases and sales of investments are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale investments and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'other (losses)/gains – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of 'dividend income' when the Group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences in monetary securities are recognised in profit or loss, and translation differences on non-monetary securities are recognised in other comprehensive income. Changes in the fair value of monetary securities classified as available-for-sale and non-monetary securities classified as available-for-sale are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'other (losses)/gains'. Interest on available-for-sale securities calculated using the effective interest rate method is recognised in the income statement within 'finance income'. Dividends on available-for-sale equity instruments are recognised in the income statement when the Group's right to receive payments is established.

Offsetting financial instruments

Financial assets and liabilities are off-set and the net amount reported in the statement of financial position when there is a legally enforceable right to off-set the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

Impairment of financial assets

Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The Group first assesses whether objective evidence of impairment exists.

For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to in 'Assets carried at amortised cost' above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

Impairment testing of trade receivables is described in note 1.16.

1.11 Derivative financial instruments and hedging activities

The Group is party to financial instruments that reduce exposure to fluctuations in foreign currency exchange and interest rates. These instruments mainly comprise forward foreign exchange contracts. The purpose of these instruments is to reduce risk.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

Interest rate swaps are taken out to hedge variable rate bank borrowings and are accounted for as cash flow hedges. The gain or loss relating to the effective portion of these interest rate swaps hedging variable rate borrowings is recognised in the income statement within 'finance costs'.

1.12 Financial guarantees

Financial guarantee contracts are recognised initially at fair value and subsequently at the higher of the amount in accordance with IAS 37 and the amount initially recorded, less appropriate cumulative amortisation recognised in accordance with IAS 18.

1.13 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the company's subsidiaries, joint ventures and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is provided in full at currently enacted or substantially enacted tax rates using the liability method. Provision is made for all temporary differences arising between the taxation bases of assets and liabilities and their statement of financial position carrying values.

No deferred income tax is accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Management applies judgement to determine whether sufficient future taxable profit will be available after considering, amongst others, factors such as profit history, forecasted cash flows and budgets.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that it will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates.

Deferred income tax assets and liabilities are off-set when there is a legally enforceable right to off-set current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Taxation rates

The normal South African company tax rate used for the year ending 30 June 2016 is 28% (2015: 28%). Deferred tax assets and liabilities for South African entities at 30 June 2016 have been calculated using the 28% (2015: 28%) rate, being the rate that the Group expects to apply to the periods when the assets are realised or the liabilities are settled. Capital gains tax is calculated as 66,6% of the company tax rate. International tax rates vary from jurisdiction to jurisdiction.

Dividend withholding tax (DWT)

Shareholders are subject to DWT on dividends received, unless they are exempt in terms of the amended tax law. DWT is levied at 15% of the dividend received. The DWT is categorised as a withholding tax as the tax is withheld and paid to tax authorities by the company paying the dividend or by a regulated intermediary and not the beneficial owner of the dividend.

1.14 Leases

The Group leases certain property, plant and equipment. Capitalised leased assets are assets leased in terms of finance lease agreements where the Group has substantially all the risks and rewards of ownership. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased item or the present value of the minimum lease payments. Depreciation is provided on the straight-line method over the shorter of the lease term and its estimated useful life. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Leases of assets in terms of which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the lease term.

1.15 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the first-in first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity), but excludes borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less the applicable costs of completion and selling expenses.

Costs of inventories include any gains or losses transferred from equity on qualifying cash flow hedges used in the purchase of raw materials.

1.16 Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. Fair value is determined as the estimated future cash flows discounted at a market-related interest rate.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of the expected cash flows, discounted at the original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement within 'operating expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'operating costs' in the income statement.

1.17 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are included in current interest-bearing borrowings in the statement of financial position.

1.18 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from proceeds, net of taxation.

Where entities controlled by the Group purchase the company's shares, the consideration paid, including attributable transaction costs net of income taxes, is deducted from total shareholders' equity as treasury shares until they are sold or cancelled. Where such shares are subsequently sold, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders. Dividends received on treasury shares are eliminated on consolidation.

1.19 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

1.20 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method. Borrowings are classified as current liabilities unless the Group has the unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready

for its intended use. When funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount to be capitalised is the actual borrowing costs less any temporary investment income on those borrowings. General borrowing costs are capitalised by calculating the weighted average expenditure on the qualifying asset and applying a weighted average borrowing rate to the expenditure.

The borrowing costs capitalised do not exceed the total borrowing costs incurred. The capitalisation of borrowing costs commences when expenditures for the asset have occurred, borrowing costs have been incurred or when activities that are necessary to prepare the asset for its intended use or sale, are in progress. Capitalisation is suspended during extended periods in which active development is interrupted. Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in profit or loss in the period in which they are incurred.

1.21 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation, as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

1.22 Employee benefits

Retirement funds

The Group provides pension, retirement or provident fund benefits to all permanent employees.

The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined-contribution and defined-benefit plans.

A defined-contribution plan is a plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group's contributions to defined-contribution plans in respect of services rendered in a particular period are recognised as an expense in that period. Additional contributions are recognised as an expense in the period during which the associated services are rendered by employees.

A defined-benefit plan is a plan that is not a defined-contribution plan. This plan defines an amount of pension benefit an employee will receive on retirement, dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined-benefit pension plans is the present value of the defined-benefit obligation at the end of the reporting period less the fair value of plan assets. The defined-benefit obligation is actuarially valued every three years and reviewed every year by independent actuaries using the projected unit credit method. The present value of the defined-benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension obligation.

Current service costs are recognised immediately in the income statement.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past service costs are recognised immediately in the income statement.

Post-retirement medical benefits

The Group provides for actuarially determined future medical benefits of employees who remained in service up to retirement age and completing a minimum service period. The expected costs of these benefits are accrued over the period of employment based on past services. This post-retirement medical benefit obligation is measured as the present value of the estimated future cash outflows based on a number of assumptions. These assumptions include, amongst others, healthcare

cost inflation, discount rates, salary inflation and promotions and experience increases, expected retirement age and continuation at retirement. Valuations of this obligation are carried out every year by independent qualified actuaries, in respect of past service liabilities and actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions, charged or credited to equity in other comprehensive income in the period in which they arise. The projected unit credit method is used to determine the present value of the post-retirement medical benefit obligation.

Share-based compensation

The Group grants scheme shares/share appreciation rights (SARs) to its employees under an equity-settled share incentive scheme through The Distell Group Share Trust, as well as an equity-settled share appreciation right scheme (SAR scheme).

A share or SAR scheme is considered equity-settled when it is settled by an issue of a Distell Group Limited share. The share trust deed and the SAR rules, as appropriate, indicates whether it is to be settled by the issue of Distell Group Limited shares or not.

The fair value of the employee services received in exchange for the grant of the scheme shares/SARs is recognised as an expense over the vesting period. The fair value is determined at grant date with reference to the fair value of the scheme shares/SARs granted, including any market performance conditions and excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period), as well as including the impact of any non-vesting conditions (for example, the requirement for employees to save). Non-market vesting conditions are included in assumptions about the number of scheme shares/SARs that are expected to vest. At each statement of financial position date, the entity revises its estimates of the number of scheme shares/SARs that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement and a corresponding adjustment to equity over the remaining vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the scheme shares/SARs are exercised.

The grant by the company of scheme shares/SARs relating to its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent's accounts.

Long-service awards

Long-service awards are provided to employees who achieve certain predetermined milestones of service within the Group. The Group's obligation is valued by independent qualified professionals at year-end and the corresponding liability is raised. Costs incurred are set off against the liability. Movements in the liability, including notional interest, resulting from the valuation are charged against the income statement upon valuation. The projected unit credit method is used to determine the present value of the long-service awards obligation.

Bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

1.23 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities, including excise duty, but net of value added tax (VAT), general sales taxes (GST), rebates and discounts, and after eliminating sales within the Group. The Group recognises revenue when the amount of revenue can be reliably measured and when it is probable that the future economic benefits will flow to the entity.

Excise duty is not directly related to sales, unlike value added tax. It is not recognised as a separate item on invoices. Increases in excise duty are not always directly passed on to customers and the Group cannot reclaim the excise duty where customers do not pay for products received. The Group considers excise duty as a cost to the Group and reflects it in 'cost of goods sold' and consequently any excise duty that is recovered in the sales price is included in revenue.

Revenue is recognised as follows:

- Cash sales of goods are recognised upon delivery of products and customer acceptance and collectability of the related receivable is reasonably assured.

- Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.
- Interest income is recognised on a time-proportion basis using the effective interest rate method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.
- Dividend income is recognised when the shareholder has an irrevocable right to receive payment.

1.24 **BEE transactions**

BEE transactions, where the Group receives or acquires goods or services as consideration for the issue of equity instruments of the Group, are treated as share-based payment transactions.

BEE transactions where employees are involved are measured and accounted for on the same basis as share-based compensation in note 1.22.

Transactions, in which share-based payments are made to parties other than employees, are measured by reference to the fair value of equity instruments granted if no specific goods or services are received. Vesting of the equity instrument granted occurs immediately and an expense and a related increase in equity are recognised on the date that the instrument is granted. No further measurement or adjustments are required as it is presumed that the BEE credentials are received upfront.

1.25 **Earnings per share**

Earnings, headline earnings and normalised headline earnings per share are calculated by dividing the net profit attributable to shareholders, headline earnings and normalised headline earnings, respectively, by the weighted average number of ordinary shares in issue during the year, excluding the ordinary shares held by the Group as treasury shares.

For the diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all ordinary shares with dilutive potential. Scheme shares and SARs have dilutive potential. For the scheme shares/SARs a calculation is done to determine the number of shares that could have been acquired, at the closing market price, based on the monetary value of subscription rights attached to outstanding scheme shares/SARs in order to determine the 'bonus' element; the 'bonus' shares are added to the ordinary shares in issue. No adjustment is made to net profit, as the scheme shares/SARs have no income statement effect.

1.26 **Dividend distribution**

Dividend distribution to the company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the company's shareholders.

1.27 **Non-current assets held for sale**

Non-current assets held for sale are classified as assets held for sale and are stated at the lower of the carrying amount and fair value, less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continued use.

1.28 **Related parties**

Individuals or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel are defined as all directors of Distell Limited, the main operating company of the Group.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. PROPERTY, PLANT AND EQUIPMENT

	Properties R'000	Machinery, tanks and barrels R'000	Equipment and vehicles R'000	Assets under construction R'000	Total R'000
2016					
Opening balance	1 647 300	2 228 743	200 436	275 486	4 351 965
Additions	109 938	743 096	105 943	77 790	1 036 767
Disposals	(5 264)	(10 729)	(1 345)	(368)	(17 706)
Reclassification to intangible assets	(46 696)	–	–	–	(46 696)
Transfers	1 354	74 759	(488)	(75 625)	–
Exchange differences	4 601	31 733	(1 573)	–	34 761
Depreciation	(13 365)	(291 919)	(38 297)	–	(343 581)
	1 697 868	2 775 683	264 676	277 283	5 015 510
At cost	1 825 838	4 971 204	490 510	277 283	7 564 835
Accumulated depreciation	(127 970)	(2 195 521)	(225 834)	–	(2 549 325)
Net carrying value	1 697 868	2 775 683	264 676	277 283	5 015 510
2015					
Opening balance	1 574 279	2 023 727	153 700	130 371	3 882 077
Additions	75 630	384 413	79 426	228 334	767 803
Disposals	(1 959)	(8 319)	(696)	–	(10 974)
Transfers	4 636	78 549	34	(83 219)	–
Exchange differences	6 024	(1 498)	(1 132)	–	3 394
Depreciation	(11 310)	(248 129)	(30 896)	–	(290 335)
	1 647 300	2 228 743	200 436	275 486	4 351 965
At cost	1 750 990	4 139 812	389 661	275 486	6 555 949
Accumulated depreciation	(103 690)	(1 911 069)	(189 225)	–	(2 203 984)
Net carrying value	1 647 300	2 228 743	200 436	275 486	4 351 965

Included in equipment and vehicles are capitalised finance lease vehicles with a net carrying value of R0.1 million (2015: R0.5 million) (note 13).

Depreciation of R248.6 million (2015: R219.4 million) is included in 'cost of goods sold', R26.6 million (2015: R20.6 million) in 'sales and marketing costs', R35.5 million (2015: R18.8 million) in 'distribution costs' and R32.9 million (2015: R31.5 million) in 'administration and other costs'.

During the year industrial property rights to the value of R46.7 million (2015: Rnil) was transferred to intangible assets.

Details of properties are available for inspection at the registered office of the company.

The secured term facility of Distell Limited is secured by mortgages over immovable property, general notarial bonds over movable assets and a cession over trade and other receivables of specific Group subsidiaries to a maximum of R5.5 billion (note 13).

Bank borrowings of Distell International Limited (previously known as Burn Stewart Distillers Limited) are secured over land and buildings to a maximum value of R36.9 million (2015: R35.6 million) (note 13).

3. BIOLOGICAL ASSETS

The Group owns bearer biological assets in the form of grapevines. The grapes produced from these vines are mainly used in the production of wines and spirits of the Group's own brands and products. The vines are cultivated on land either owned or leased by the Group.

The total area under grapevines on 30 June 2016 amounted to approximately 1232 ha (2015: 1257 ha), of which approximately 1119 ha (2015: 1150 ha) can be classified as mature vines. The total output of grapes harvested during the current year amounted to 8663 tons (2015: 10755 tons).

The fair value of the grapes harvested during the current financial year amounted to R41.5 million (2015: R50.7 million). The fair value was calculated with reference to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of mature grapevines was calculated by discounting the net cash flows thereof over their remaining lives at a pre-tax discount rate of 19.1% (2015: 18.5%). The net cash flows were calculated with reference to grape varieties, expected yields based on normalised three years' experience, estimated future sales prices and estimated future production costs.

The average productive life of grapevines are estimated at 23 years (2015: 23 years).

	2016 R'000	2015 R'000
Carrying amount		
Opening balance	105 914	104 559
Acquisitions	1 786	578
Disposals	(7)	–
Decrease due to harvest	(41 491)	(50 651)
Gain due to biological change, price, yield, maturity and cost changes	34 664	51 428
Balance at the end of the year	100 866	105 914

An amount of R13.4 million (2015: R4.5 million) for vineyard development expenses is included in the total of capital commitments in note 30.

The fair value of grapevines cultivated on land, of which the operating lease expires in 2018, amounts to R3.8 million (2015: R5.6 million).

Short-term insurance cover, as part of an overall risk management strategy, is utilised to protect the Group against the replacement cost, and subsequent loss of income, of establishing new vineyards in the event of them being damaged by natural perils, such as fire and lightning.

4. FINANCIAL ASSETS

	2016 R'000	2015 R'000
Loans and receivables at amortised cost		
Loans to producers and other unrelated parties, denominated in rand, at market-related interest rates	4 207	2 220
Loans to related parties, denominated in rand, bearing no interest	176 988	188 939
	181 195	191 159
Available-for-sale financial assets		
Equities, denominated in the following currencies:		
Rand	18 795	19 804
Canadian dollar	14 817	12 527
UK pound	46 096	67 423
	79 708	99 754
Movement in available-for-sale financial assets		
Opening balance	99 754	91 424
Additions	86	1 713
Exchange differences	2	3
Fair value adjustments (note 11)	(20 134)	6 614
Balance at the end of the year	79 708	99 754

The fair value estimation of equities are indicated in note 32.2.

The maximum exposure to credit risk at the reporting date is the carrying value of the loans and receivables. None of these financial assets are past due or impaired. Loans and other receivables consists of receivables from related parties. There is no history of defaulted payments.

Financial assets consist of listed, which include over-the-counter trade, and unlisted shares and details thereof are available at the registered office of the company.

5. **INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES**

	2016	2015
	R'000	R'000
Company		
Investments in subsidiaries (note 38)	2 734 880	2 645 044
Distell Group Limited subordinated all its claims against South African Distillers and Wines (SA) Limited		
Group		
Investments in associates (note 39)		
Opening balance	233 685	77 064
Additions	–	111 282
Share of profit	52 966	69 261
Share of actuarial loss	(1 003)	(194)
Dividends received	(48 802)	(22 086)
Exchange differences and withholding taxes	403	(1 642)
Balance at the end of the year	237 249	233 685
Made up as follows:		
Cost and share of profits	181 569	178 005
Goodwill	55 680	55 680
	237 249	233 685
Summary of goodwill		
Opening balance	55 680	9 076
Additions	–	46 604
Balance at the end of the year	55 680	55 680
Group		
Investments in joint ventures (note 40)		
Opening balance	160 423	137 901
Additions	48 380	–
Share of profit	5 076	20 140
Share of non-distributable reserves	120	2 382
Balance at the end of the year	213 999	160 423

Impairment tests of investments in associates

The investments in Tanzania Distilleries Limited, Grays Inc. Limited and KWA Holdings E.A. Limited have been allocated to those cash-generating units and are each tested for impairment as a single asset, including goodwill. The recoverable amounts of the cash-generating units have been based on a value-in-use calculation. To calculate this, cash flow projections are based on financial budgets approved by management covering a five-year period.

The key assumptions used for the value-in-use calculations are as follows:

	2016		2015	
	Long-term growth rate	Discount rate	Long-term growth rate	Discount rate
Tanzania Distilleries Limited	2.0%	22.9%	2.0%	19.9%
Grays Inc. Limited	2.0%	11.5%	2.0%	10.4%
KWA Holdings E.A. Limited	2.0%	17.6%	2.0%	17.0%

The discount rates used are pre-tax and reflect specific risks relating to the relevant business. These calculations indicate that there was no impairment in the carrying value of the investments in associates and related goodwill.

6. INTANGIBLE ASSETS

	Industrial property rights R'000	Capitalised software R'000	Goodwill R'000	Trademarks and other intangibles R'000	Total R'000
2016					
Opening balance	–	39 072	1 022 672	817 936	1 879 680
Additions	–	83 047	–	–	83 047
Exchange differences	(5 841)	(15)	36 259	72 636	103 039
Impairments	–	–	–	(80 155)	(80 155)
Reclassification from property, plant and equipment	46 696	–	–	–	46 696
Amortisation	(1 991)	(26 125)	–	–	(28 116)
Balance at the end of the year	38 864	95 979	1 058 931	810 417	2 004 191
Cost	40 554	237 520	1 058 931	890 572	2 227 577
Accumulated amortisation and impairment	(1 690)	(141 541)	–	(80 155)	(223 386)
Net carrying value	38 864	95 979	1 058 931	810 417	2 004 191
2015					
Opening balance	–	45 147	957 946	794 972	1 798 065
Additions	–	13 120	–	–	13 120
Exchange differences	–	(84)	64 726	22 964	87 606
Amortisation	–	(19 111)	–	–	(19 111)
Balance at the end of the year	–	39 072	1 022 672	817 936	1 879 680
Cost	–	154 478	1 022 672	817 936	1 995 086
Accumulated amortisation and impairment	–	(115 406)	–	–	(115 406)
Net carrying value	–	39 072	1 022 672	817 936	1 879 680

Amortisation is included in 'administration and other costs' in the income statement.

Included in trademarks and other intangibles, are brand names and customer relationships, relating to the acquisition of Distell International Limited and Distell (Hong Kong) Limited which occurred in prior years.

Management regards the trademarks as having an indefinite useful life as there are no foreseeable limits on the time the trademarks are expected to provide future cash flows. The trademarks are protected in all the major markets where they are sold and there is not believed to be any legal, regulatory or contractual provisions that limit the useful lives of these brands. The brands included in trademarks above are Bisquit, Scottish Leader, Black Bottle, Bunnahabhain, Tobermory, Deanston and Ledaig.

Impairment testing of non-financial assets

Discount rates

The discount rates used are the pre-tax weighted average cost of capital (WACC) which reflects the returns on government bonds specific to the cash-generating units to which the goodwill is attributed. In cases where the cash-generating unit (CGU) is deemed to be of greater risk than the Group as a whole, a risk premium has been included within the discount rate applied.

Growth rates

In determining the growth rate, consideration is given to the growth potential of the respective CGU. Volume growth assumptions are based on management's best estimates of known strategies and future plans to grow the business.

	2016 R'000	2015 R'000
Goodwill		
Distell Winemasters Limited	1 919	1 919
Distell (Hong Kong) Limited	7 510	7 510
Distell International Limited	1 043 991	1 007 732
Lomond Wine Estate Proprietary Limited	5 511	5 511
	1 058 931	1 022 672

Impairment tests for goodwill

The goodwill acquired through the investments in Distell Winemasters Limited (Kenya), Distell (Hong Kong) Limited, Distell International Limited and Lomond Wine Estates Proprietary Limited was allocated to those CGU's and are tested for impairment on an annual basis. The recoverable amounts of the CGU have been based on a value-in-use calculation. To calculate this, cash flow projections are based on financial budgets approved by management covering a five- to ten-year period. A longer than five-year period was used as these longer periods better reflect the nature of the spirits category due to the long maturation periods required for some of the products.

The key assumptions used for the value-in-use calculations are as follows:

	2016		2015	
	Long-term growth rate	Discount rate	Long-term growth rate	Discount rate
Distell Winemasters Limited	2.0%	17.6%	2.0%	16.9%
Distell (Hong Kong) Limited	1.8%	7.1%	1.8%	6.3%
Distell International Limited	3.0%	6.7%	3.0%	6.7%
Lomond Wine Estate Proprietary Limited	2.0%	11.9%	2.0%	10.7%

These calculations indicate that no impairment was necessary in the carrying value of the goodwill.

Trademarks

Bisquit	223 324	251 374
Black Bottle	62 459	60 262
Scottish Leader	292 604	282 329
Bunnahabhain	79 431	76 673
Deanston	16 676	16 097
Tobermory	12 168	11 745
Ledaig	11 829	11 418
Customer relationships	79 671	76 903
Trade names	32 255	31 135
	810 417	817 936

Impairment tests for trademarks

The trademarks are allocated to their respective CGU's and are tested for impairment on an annual basis. The recoverable amounts of the CGU have been based on a value-in-use calculation. To calculate this, cash flow projections are based on financial budgets approved by management covering a five- to fifteen-year period. A longer than five-year period was used as these longer periods better reflect the nature of the spirits category due to the long maturation periods required for some of the products.

The key assumptions used for the value-in-use calculations are as follows:

	2016		2015	
	Long-term growth rate	Discount rate	Long-term growth rate	Discount rate
Distell International Limited	3.0%	6.7%	3.0%	6.7%
Bisquit Dubouché et Cie	1.5%	6.3%	1.5%	6.7%

An impairment charge of R80.2 million was recognised in the current year as a result of the annual impairment test performed on trademarks relating to the Bisquit Dubouché et Cie CGU in the international reportable segment. Forecast cashflow assumptions have been reduced principally due to the challenging economic environments in which this CGU operates. In determining this fair value, a discounted cash

flow was used to perform the valuation taking into consideration 15-year forecasts. In addition, the inputs into the model were based on a WACC rate of 6.3% (2015:6.7%).

If one or more of the inputs within the other trademarks and goodwill testing were changed to a reasonable possible alternative assumption, there would be no further significant impairments that would have to be recognised

7. INVENTORIES

	2016 R'000	2015 R'000
Bulk wines, flavoured alcoholic beverages and spirits	5 570 098	5 078 031
Bottled wines, flavoured alcoholic beverages and spirits	1 889 058	2 029 650
Packaging material and other	441 493	402 256
	7 900 649	7 509 937

The cost of inventories recognised as an expense and included in 'costs of goods sold' amounted to R12 179.1 million (2015: R1 1273.4 million).

No previous write-down was reversed during the year (2015: Nil).

Excise duty of R512.0 million (2015: R495.9 million) is included in bulk inventories and R543.5 million (2015: R428.7 million) in bottled inventories.

The secured term facility of Distell Limited is secured by mortgages over immovable property, general notarial bonds over movable assets and a cession over trade and other receivables of specific Group subsidiaries to a maximum of R5.5 billion (note 13).

Bank borrowings are secured over inventories of Distell International Limited for a maximum value of R843.9 million (2015: R885.7 million) (note 13).

8. TRADE AND OTHER RECEIVABLES

	2016 R'000	2015 R'000
Trade receivables	2 351 364	1 920 053
Provision for impairment of receivables	(20 708)	(10 259)
Trade receivables – net	2 330 656	1 909 794
Insurance claims	803	2 156
Prepayments	74 734	125 143
Other receivables	227 229	158 406
Value added tax	26 327	27 510
	2 659 749	2 223 009

The secured term facility of Distell Limited is secured by mortgages over immovable property, general notarial bonds over movable assets and a cession over trade and other receivables of specific Group subsidiaries to a maximum of R5.5 billion (note 13).

Included in the Group's trade receivables are debtors with carrying amounts of R136.8 million (2015: R117.0 million) which are past due at the reporting date but not impaired.

These relate to a number of independent customers where there have not been any history of payment default or significant changes in credit quality and the amounts are still considered recoverable. The Group holds no collateral for these past due receivables. The ageing analysis of these receivables is as follows:

Ageing of past due but not impaired trade and other receivables

	2016 R'000	2015 R'000
30 to 60 days overdue	37 953	61 202
Past 60 days overdue	98 810	55 784
Total	136 763	116 986

At 30 June 2016 trade receivables of R20.7 million (2015: R10.3 million) were impaired and provided for. The individually impaired receivables mainly relate to customers who are in financial difficulty and where there are indications that the Group may not recover the full amount.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date the credit was initially granted up to the reporting date. Concentration of credit risk is limited because of the large number of customers and their dispersion across geographical areas.

The analysis of trade receivables that are individually determined to be impaired are as follows:

Ageing of impaired trade and other receivables

	2016 R'000	2015 R'000
60 to 120 days overdue	1 997	2 082
Past 120 days overdue	18 711	8 177
Total	20 708	10 259

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2016 R'000	2015 R'000
South African rand	1 434 889	1 190 702
US dollar	395 175	292 600
Euro	223 284	196 750
UK pound	201 178	263 348
Canadian dollar	68 918	51 227
Namibian dollar	123 163	103 486
Botswana pula	43 989	46 592
Other currencies	169 153	78 304
	2 659 749	2 223 009

The movement of the Group's provision for impairment of trade receivables are as follows:

	2016 R'000	2015 R'000
Opening balance	10 259	12 671
Provision for receivable impairment	15 425	2 340
Receivables written off during the year as uncollectible	(323)	(5 803)
Exchange difference	432	(9)
Unused amounts reversed	(5 085)	1 060
Balance at the end of the year	20 708	10 259

The creation and release of the provision for impaired receivables have been included in 'sales and marketing expenses' and 'distribution costs' in the income statement (note 19.1). The other classes within trade and other receivables do not contain impaired assets.

Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable as mentioned above. The fair values of trade and other receivables approximate their book values as shown above due to the short-term maturities of these assets. The Group does not hold any collateral as security.

None of the payment terms of trade and other receivables that are fully performing or overdue have been renegotiated during the year.

9. DERIVATIVE FINANCIAL INSTRUMENTS

The following amounts are included in 'other receivables' (note 8) and 'accrued expenses' (note 16):

	2016 R'000	2015 R'000
Current assets		
Interest rate swaps – cash flow hedges	4 453	–
Commodities	5 292	–
Forward foreign exchange contracts – held-for-trading	1 138	1 401
	10 883	1 401
Current liabilities		
Interest rate swaps – cash flow hedges	(252)	(5 658)
Forward foreign exchange contracts – held-for-trading	(17 416)	–
	(17 668)	(5 658)
Total	(6 785)	(4 257)

Refer to note 32.2 for the fair value estimation of forward foreign exchange contracts and interest rate swaps.

Interest rate swaps

In order to hedge specific exposures in the interest rate repricing profile of existing borrowings, the Group may use interest rate derivatives to generate the desired interest profile.

	Borrowings hedged '000	Interest payable	Interest receivable	Fair value gain/(loss) R'000
2016				
Interest rate swaps (0 – 2 years) (Rand)	500 000	7.095%	3M JIBAR	4 453
Interest rate swaps (0 – 1 year) (Pound)	20 000	0.94%	BoE Base	(252)

The Rand denominated interest rate swap agreements reset every three months, with the final reset on 30 June 2017, and the pound swap agreements had a final reset on 30 April 2016. (BoE=Bank of England).

Forward foreign exchange contracts

Material forward exchange contracts as at 30 June 2016 and 30 June 2015 are summarised as follows:

Forward foreign exchange contracts – anticipated transactions

These forward foreign exchange contracts do not relate to specific items on the statement of financial position, but were entered into to cover export proceeds not yet receivable or import commitments not yet payable. The forward foreign exchange contracts will be utilised for the purposes of trade within the following year.

Foreign currency	Foreign currency amount '000	Rand amount R'000	Fair value gain/(loss) R'000
2016			
Forward foreign exchange sales			
Canadian dollar	1 400	17 082	1 091
Euro	13 100	201 339	(14 427)
New Zealand dollar	300	3 206	47
US dollar	3 013	43 320	(520)
		264 947	(13 809)
Forward foreign exchange purchases			
US dollar	7 600	115 819	(2 469)
		115 819	(2 469)
		380 766	(16 278)
2015			
Forward foreign exchange sales			
Australian dollar	70	660	4
Canadian dollar	1 550	15 447	220
Euro	12 400	171 938	880
New Zealand dollar	150	1 262	19
US dollar	4 013	48 722	278
		238 029	1 401

The net uncovered trade proceeds at 30 June 2016 amounted to R477.5 million (2015: R428.0 million) and net uncovered trade purchases at 30 June 2016 amounted to R139.8 million (2015: R132.2 million).

Commodity hedges	Fair value gain/(loss) R'000
2016	
Gasoil Held for trading	4 447
Aluminium Held for trading	845

10. SHARE CAPITAL

	2016 R'000	2015 R'000
Shares authorised		
Ordinary shares of 1 cent each	250 000	250 000
Shares issued		
Opening balance	221 737	221 435
Issue of shares – share and SAR schemes	372	302
Ordinary shares of 1 cent each issued and fully paid	222 109	221 737
Treasury shares		
Opening balance	2 927	2 981
Issue of shares – share and SAR schemes	372	302
Shares paid and delivered – share and SAR schemes	(399)	(356)
	2 900	2 927

	Company Ordinary shares R'000	Company Share premium R'000	Treasury shares R'000	Group Total R'000
2016				
Opening balance	2 217	750 390	(11 462)	741 145
Issue of shares – share and SAR schemes	4	–	(4)	–
Shares paid and delivered – share and SAR schemes	–	–	8 361	8 361
Balance at the end of the year	2 221	750 390	(3 105)	749 506
2015				
Opening balance	2 214	741 730	(16 235)	727 709
Issue of shares – share and SAR schemes	3	8 660	(8 663)	–
Shares paid and delivered – share and SAR schemes	–	–	13 436	13 436
Balance at the end of the year	2 217	750 390	(11 462)	741 145

Ten percent of the unissued share capital is under the control of the board of directors until the next annual general meeting.

Share and Share Appreciation Right Schemes

The Distell Group Equity Settled Share Appreciation Right Scheme was established during the 2011 financial year to promote the continued growth of the Group and to provide selected employees and executive directors with rights to receive Distell ordinary shares in future, subject to certain employment-related conditions being met. No new allocations under the share scheme have been made during the year under review. The maximum number of shares that may be delivered to participants under the Share and Share Appreciation Right Schemes are limited to ten million shares and the number of shares that may be delivered to any one participant is limited to one million shares.

10.1 Share scheme

The trustees of The Distell Group Share Trust (the share scheme) offered to participants unissued ordinary shares which were reserved for the scheme.

The details of the offers were as follows:

The offers were made at the closing share price on the JSE on the preceding day and were open for acceptance for one year from the date of the offer. The scheme is a deferred purchase scheme and payment is made in three equal annual instalments of which the first instalment is only payable after three years after the offer date.

Participants have no right to delivery, voting or dividends on shares before payment has been made. Participants may choose to pay on a later date with the resultant deferment of rights. Payment must, however, be made within seven years.

Date	Participants	Offer price per share (Rand)	Number of shares offered	Number of shares accepted as at 30 June 2016	Number of shares paid and delivered as at 30 June 2016
19 March 2001	Executive directors	7.35	1 127 780	1 127 780	1 127 780
19 March 2001	Other participants	7.35	1 202 127	1 202 127	1 202 126
15 October 2002	Other participants	13.21	47 779	47 779	47 779
13 December 2002	Executive directors	14.60	953 320	953 320	953 320
13 December 2002	Other participants	14.60	1 639 069	1 639 069	1 639 069
3 June 2004	Other participants	15.05	219 570	219 570	219 570
25 October 2005	Executive directors	31.00	62 743	62 743	62 743
25 October 2005	Other participants	31.00	982 924	982 924	982 924
7 November 2006	Executive directors	40.00	227 233	227 233	227 233
7 November 2006	Other participants	40.00	265 225	265 225	265 225
8 October 2007	Executive directors	60.50	116 784	116 784	116 784
8 October 2007	Other participants	60.50	195 208	195 208	195 208
23 October 2008	Executive directors	45.50	164 086	164 086	164 086
23 October 2008	Other participants	45.50	563 368	563 368	563 368
22 October 2009	Executive directors	64.00	54 540	54 540	54 540
22 October 2009	Other participants	64.00	405 962	405 962	357 483
			8 227 718	8 227 718	8 179 238

	2016		2015	
	Average offer price per share (Rand)	Number of shares	Average offer price per share (Rand)	Number of shares
<i>The current status of the share scheme is as follows:</i>				
Ordinary shares due to participants				
Previous financial years	57.63	198 873	56.89	429 544
Shares paid for and delivered	55.58	(150 393)	56.49	(237 834)
Resignations and other	–	–	64.00	7 163
Outstanding at the end of the year	64.00	48 480	57.63	198 873
Scheme shares outstanding at the end of the year have the following expiry dates and exercise prices:				
	Exercise price per share (Rand)	Number of shares 2016	Number of shares 2015	
Shares offered not issued not paid for and delivered (Share Trust):				
22 October 2009	64.00	48 480	198 873	
		48 480	198 873	

10.2 Equity Settled Share Appreciation Right Scheme (SAR scheme)

The SAR scheme was approved by shareholders at the Annual General Meeting held on 20 October 2010. Participants of the SAR scheme are remunerated with shares to the value of the appreciation of a specified number of Distell Group Limited ordinary shares that must be exercised within a period of seven years after the grant date.

The earliest intervals at which the Share Appreciation Rights (SARs) are exercisable are as follows:

- One-third after the third anniversary of the grant date
- Two-thirds after the fourth anniversary of the grant date
- The remainder after the fifth anniversary of the grant date

Specific performance criteria, which are linked to revenue and EBITDA growth, are stipulated for SARs offered after 1 July 2015.

Number and exercise prices of all SARs offered to participants of the SAR scheme:

Date	Participants	Exercise price per SAR (Rand)	Number of SARs offered	Number of SARs accepted as at 30 June 2016	Number of SARs exercised as at 30 June 2016
21 October 2010	Executive directors	72.00	70 188	70 188	49 518
21 October 2010	Other participants	72.00	437 110	437 110	326 715
25 November 2011	Executive directors	66.00	96 551	96 551	35 156
25 November 2011	Other participants	66.00	404 902	404 902	214 333
2 October 2012	Executive directors	93.35	190 794	190 794	63 598
2 October 2012	Other participants	93.35	495 254	495 254	106 949
21 February 2014	Executive directors	139.00	381 660	381 660	–
21 February 2014	Other participants	139.00	333 735	333 735	–
27 October 2014	Executive directors	129.00	74 241	74 241	–
27 October 2014	Other participants	129.00	970 216	970 216	–
1 December 2014	Other participants	130.50	51 519	51 519	–
23 March 2015	Other participants	152.00	65 850	65 850	–
1 July 2015	Other participants	166.97	133 542	133 542	–
22 October 2015	Executive directors	170.30	198 567	198 567	–
22 October 2015	Other participants	170.30	1 194 804	1 194 804	–
18 February 2016	Other participants	167.60	243 690	243 690	–
			5 342 623	5 342 623	796 269

	2016		2015	
	Average exercise price per SAR (Rand)	Number of SARs	Average exercise price per SAR (Rand)	Number of SARs
<i>The current status of the SAR scheme is as follows:</i>				
Carried forward from previous financial years	111.47	3 353 669	97.82	2 371 857
Offered in current financial year	169.69	1 804 758	130.32	1 209 136
Exercised during the year	78.07	(456 077)	69.25	(227 324)
Resignations and other	121.49	(155 996)	–	–
Outstanding at the end of the year	137.59	4 546 354	111.47	3 353 669

SARs outstanding at the end of the year have the following expiry dates and exercise prices:

	Exercise price per SAR (Rand)	Number of SARs 2016	Number of SARs 2015
SARs offered, accepted and issued, but not exercised:			
October 2013	72.00	–	33 772
October 2014	72.00	–	69 629
November 2014	66.00	–	71 050
October 2015	72.00	131 065	169 680
November 2015	66.00	99 155	175 275
November 2015	93.35	52 746	239 134
November 2016	66.00	152 809	175 275
November 2016	93.35	223 621	239 134
February 2017	139.00	238 465	244 150
October 2017	129.00	348 152	363 922
November 2017	93.35	239 134	239 134
December 2017	130.50	17 173	17 173
February 2018	139.00	238 465	244 150
March 2018	152.00	21 950	21 950
July 2018	166.97	44 514	–
October 2018	129.00	348 152	363 922
October 2018	170.30	464 457	–
December 2018	130.50	17 173	17 173
February 2019	139.00	238 465	244 150
February 2019	167.60	81 230	–
March 2019	152.00	21 950	21 950
July 2019	166.97	44 514	–
October 2019	129.00	348 153	363 923
October 2019	170.30	464 457	–
December 2019	130.50	17 173	17 173
February 2020	167.60	81 230	–
March 2020	152.00	21 950	21 950
July 2020	166.97	44 514	–
October 2020	170.30	464 457	–
February 2021	167.60	81 230	–
		4 546 354	3 353 669

10.3 Bonus shares

The managing director was awarded 230 000 shares in 2014. He becomes entitled to the shares on 1 November 2016, subject to certain performance conditions linked to headline earnings growth, being met. This allocation was a once-off award in lieu of benefits forfeited upon termination of his employment at his previous employer.

10.4 Valuation methodology and assumptions

The fair value of scheme shares, SARs and bonus shares granted after 7 November 2002 was valued at each grant date by using an actuarial binomial option pricing model. The model is an extension of the binomial model, incorporating employee behaviour.

The significant inputs into the model were:

share price at the grant date	R14.60 to R170.30
exercise price	shown above
expected volatility	19.85% to 35.90%
dividend yield	2.29% to 6.34%
option life	shown above
annual risk-free interest rate	5.67% to 10.43%

The expected lifetime of each grant is estimated by considering separately each of the tranches within that grant. The risk-free rate was estimated by using the implied yield on a SA zero-coupon government bond and the yield curve over the expected contract lifetimes of three, five, six and seven years from the offer date.

Share price volatility of ordinary shares in Distell Group Limited was determined with reference to movements in the share price on the JSE taking into consideration the expected lifetimes of each tranche of all grants over the vesting period.

Dividend yield was calculated using the two-year moving average dividend yield at each offer date.

The total expense recognised in the income statement in 'employee benefit expense' (note 19.4) relating to the above equity-settled share-based payments was R45.6 million (2015: R31.7 million).

11. NON-DISTRIBUTABLE AND OTHER RESERVES

	2016 R'000	2015 R'000
Group		
Reserves at formation of a previous holding company	15 199	15 199
Capital reduction	236	236
Transfer of share capital on cancellation of shares	13 226	13 226
Transfer of share premium	15 873	15 873
Capital redemption reserve fund	400	400
Reclassification of pallets to deposit value	5 773	5 773
Foreign currency translations	1 109 120	866 493
Opening balance	866 493	686 836
Currency translation differences for the year	242 627	179 657
Fair value adjustments	30 377	47 696
Opening balance	47 696	42 004
Fair value adjustments of available-for-sale financial assets	(20 134)	6 614
Deferred income tax on fair value adjustments	2 815	(922)
BEE share-based payment option reserve	122 080	122 080
Opening balance	122 080	122 080
Employee share scheme reserve	167 963	121 689
Opening balance	121 689	90 424
Employee share-based payment for the year	46 274	31 265
Actuarial gains and losses reserve	449 896	368 435
Opening balance	368 435	307 766
Remeasurements of post-employment benefits for the year	115 842	85 011
Associates' remeasurements of post-employment benefits for the year	(1 003)	(194)
Deferred income tax on remeasurements of post-employment benefits	(33 378)	(24 148)
Gains and losses on transactions with non-controlling interests	(17 884)	(17 884)
Opening balance	(17 884)	(3 200)
Gains and losses for the year	–	(14 684)
	1 912 259	1 559 216
Company		
BEE share-based payment option reserve	122 080	122 080
Opening balance	122 080	122 080
Reserves at formation of a previous holding company	15 199	15 199
Capital reduction	236	236
	137 515	137 515

12. RETAINED EARNINGS

	2016 R'000	2015 R'000
Group		
Company	1 844 809	1 754 922
Consolidated subsidiaries	5 903 318	5 268 992
Joint ventures	141 439	112 128
Associated companies	105 666	100 711
	7 995 232	7 236 753
Opening balance	7 236 753	6 545 297
Profit for the year	1 531 986	1 437 136
Dividends paid	(773 507)	(745 680)
Balance at the end of the year	7 995 232	7 236 753
Company		
Opening balance	1 754 922	1 690 900
Profit for the year	873 232	819 593
Dividends paid	(783 347)	(755 571)
Balance at the end of the year	1 844 807	1 754 922

13. INTEREST-BEARING BORROWINGS

NON-CURRENT

Secured inventory UK pound facility, bearing interest at Bank of England base rate plus 1.45%, for a minimum period of five years from December 2011	843 919	814 608
Secured real property UK pound facility, bearing interest at Bank of England base rate plus 2.25%, repayable in monthly instalments of £25 000, with a final redemption repayment of £300 000 in December 2016	24 845	14 475
Secured term facility rand loan, bearing interest at a variable rate of 8.617% (2015: 7.458%) per annum. Interest is payable quarterly and the loan is repayable on 30 June 2019	1 200 000	1 200 000
Secured term facility rand loan, bearing interest at a variable rate of 8.457% (2015: 7.298%) per annum. Interest is payable quarterly and the loan is repayable on 30 June 2017	900 000	900 000
Secured revolving term facility rand loan, bearing interest at a variable rate of 8.457% (2015: 7.298%) per annum. Interest is payable quarterly and the loan is repayable on 30 June 2017	400 000	400 000
Secured rand loans on capitalised finance lease vehicles (note 2), bearing interest at a variable rate of 1.5% below prime per annum, payable monthly in arrears in instalments of R6 993 (2015: R22 110) for 48 months (note 30)	60	368
	3 368 824	3 329 451
Less: Portion of loans repayable within one year, included in current liabilities	(2 168 824)	(6 005)
	1 200 000	3 323 446

	2016 R'000	2015 R'000
CURRENT		
Unsecured euro loan, bearing interest at a fixed rate of 1.0029% per annum, repayable on 26 July 2016	425 460	290 192
Unsecured euro loan, bearing interest at a fixed rate of 1.717% per annum, repayable on 29 July 2016	202 305	175 055
Unsecured US dollar loan, bearing interest at a variable rate of 7.783% per annum, repayable on demand	–	10 627
Unsecured rand call accounts and bank overdrafts	930 000	388 499
Short-term portion of non-current borrowings	2 168 824	6 005
	3 726 589	870 378
Total interest-bearing borrowings	4 926 589	4 193 824

The interest rate repricing profile at 30 June 2016 and 30 June 2015 is summarised as follows:

Interest-bearing borrowings	% of Total	2016 R'000	% of Total	2015 R'000
Floating rate (secured loans)	68.4	3 368 824	79.3	3 329 451
Floating rate (unsecured loans)	–	–	0.3	10 627
Fixed rate (unsecured loans)	12.7	627 765	11.1	465 247
Floating call rate (2016: 7.3%, 2015: 6.7%)	18.9	930 000	9.3	388 499
Total interest-bearing borrowings	100.0	4 926 589	100.0	4 193 824

The maturity profile of the interest-bearing borrowings is indicated in note 32.1(c).

The fair value and carrying amounts of non-current borrowings are as follows:

Interest-bearing borrowings	Fair value		Carrying amount	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Bank borrowings	1 187 442	3 240 187	1 200 000	3 323 307
Finance lease liabilities	–	139	–	139
	1 187 442	3 240 326	1 200 000	3 323 446

The fair value of non-current borrowings is calculated using cash flows discounted at a rate based on the borrowings rate of 2.9% to 8.6% (2015: 3.2% to 7.4%).

Total borrowings include secured liabilities of R3 368.8 million (2015: R3 329.5 million). These borrowings are secured by mortgages over immovable property, general notarial bonds over movable assets and a cession over trade and other receivables of specific Group subsidiaries. Refer to notes 2, 7 and 8.

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant.

The Group's unutilised banking facilities and reserve borrowing capacity are as follows:

	2016 R'000	2015 R'000
Unutilised banking facilities		
Total floating rate banking facilities expiring within one year	2 100 000	2 100 000
Less: Current interest-bearing borrowings	(930 000)	(388 499)
Unutilised banking facilities	1 170 000	1 711 501

Banking facilities are renewed annually and are subject to review at various dates during the next year.

14. RETIREMENT BENEFITS

	2016 R'000	2015 R'000
Statement of financial position		
Assets		
Pension benefits	(40 165)	(103 894)
Post-retirement medical benefits	(303 255)	(207 091)
	(343 420)	(310 985)
Liabilities		
Post-retirement medical obligation	27 509	24 243
	27 509	24 243
Net retirement benefit asset	(315 911)	(286 742)
Income statement charge for:		
Pension benefits	(6 144)	(4 227)
Post-retirement medical benefits	30 460	37 036
	24 316	32 809
Actuarial gains and losses		
Actuarial gains recognised in other comprehensive income (before taxation)	115 842	84 950
Cumulative actuarial gains recognised in other comprehensive income (before taxation)	608 790	492 948

14.1 Pension benefits

Defined-benefit pension funds

The Group operates two defined-benefit pension funds and three defined-contribution provident funds. All permanent employees have access to these funds. These schemes are regulated by the Pension Funds Act, No. 24 of 1956, as amended, and are managed by trustees and administered by independent administrators. Fund assets are held independently of the Group's finances.

The defined-benefit pension funds are actuarially valued every three years and reviewed every year using the projected unit credit method. The latest full actuarial valuation was performed on 31 March 2014 and indicated that the plans are in a sound financial position.

	2016 R'000	2015 R'000
Statement of financial position		
Amounts recognised in the statement of financial position are as follows:		
Present value of funded obligations	228 307	231 407
Fair value of plan assets	(316 424)	(383 039)
Funded position	(88 117)	(151 632)
Asset not recognised in terms of IAS 19, paragraph 58 limit *	47 952	47 738
Net asset in statement of financial position	(40 165)	(103 894)

* The 'IAS 19, paragraph 58 limit' ensures that the asset to be recognised in the Group's statement of financial position is subject to a maximum of the sum of any unrecognised actuarial losses, past service costs and the present value of any economic benefits available to the Group in the form of refunds or reductions in future contributions. The movement in this limit pertains to a reduction in effect of asset limit of R3.9 million and interest cost of R4.1 million.

The movement in the defined-benefit obligation over the year is as follows:

	2016 R'000	2015 R'000
Opening balance	231 407	220 001
Current service cost	2 607	1 683
Interest cost	18 989	17 468
Contributions	347	402
Expenses	(701)	–
Risk premiums	(124)	(123)
Benefits paid	(25 457)	(37 817)
<i>Remeasurements</i>		
Actuarial loss	1 239	29 733
Balance at the end of the year	228 307	231 407

The movement in the fair value of plan assets over the year is as follows:

	2016 R'000	2015 R'000
Opening balance	383 039	399 801
Interest income	31 845	32 744
Employer contributions	781	890
Risk premiums	(124)	(123)
Expenses	(701)	–
Employer surplus utilised	(67 880)	(5 350)
Benefits paid	(25 457)	(38 895)
<i>Remeasurements</i>		
Return on plan assets	(5 079)	(6 028)
Balance at the end of the year	316 424	383 039

Income statement

Amounts recognised in 'administration and other costs' and 'employee benefit expense' (note 19.4) in the income statement are as follows:

	2016 R'000	2015 R'000
Current service cost	2 607	1 683
Interest cost	23 094	26 834
Interest income	(31 845)	(32 744)
Total income	(6 144)	(4 227)
Actual return on plan assets	(26 766)	(26 716)

The Financial Services Board (FSB) approved the surplus apportionments within the Distell Retirement Fund, Distillers Corporation Pension Fund and SFW Pension Fund and the outstanding balance at 30 June 2016 which is available in the form of reductions in future contributions amounts to R40.2 million.

Principal actuarial assumptions on statement of financial position date

	2016 R'000	2015 R'000
Discount rate	10.1%	8.6%
Expected rate of return on plan assets	10.1%	8.6%
Future salary increases	8.8%	7.5%
Future pension increases	7.8%	6.5%
Inflation rate	7.8%	6.5%

14.2 Post-retirement medical benefits

Statement of financial position

Amounts recognised in the statement of financial position are as follows:

	2016 R'000	2015 R'000
Present value of funded obligation	984 549	934 266
Fair value of plan assets	(1 260 295)	(1 117 114)
Net asset in statement of financial position	(275 746)	(182 848)

The movement in the defined-benefit obligation over the year is as follows:

	2016 R'000	2015 R'000
Opening balance	934 266	919 250
Current service cost	54 498	54 079
Interest cost	87 712	88 727
Settlement gain	(10 992)	–
Benefits paid	(20 648)	(18 905)
<i>Remeasurements</i>		
Actuarial gain	(60 287)	(108 885)
Balance at the end of the year	984 549	934 266

The movement in the fair value of plan assets over the year is as follows:

	2016 R'000	2015 R'000
Opening balance	1 117 114	1 088 529
Interest income	105 312	105 770
Benefits paid	(20 113)	(18 481)
<i>Remeasurements</i>		
Return on plan assets	57 982	(58 704)
Balance at the end of the year	1 260 295	1 117 114

Income statement

Amounts recognised in 'administration and other costs' and 'employee benefit expense' (note 19.4) in the income statement are as follows:

	2016 R'000	2015 R'000
Current service cost	54 498	54 079
Interest cost	87 712	88 727
Interest income	(105 312)	(105 770)
Gain on settlement	(6 438)	–
Total expense	30 460	37 036
Actual return on plan assets	(162 087)	(46 292)

The post-retirement medical liability is actuarially valued every year, using the projected unit credit method. Plan assets are valued at current market value.

Principal actuarial assumptions on statement of financial position date

	2016 R'000	2015 R'000
Discount rate	11.5%	9.6%
Expected rate of return on assets	11.5%	9.6%
Future salary increases	8.8%	7.5%
Annual increases in health cost	11.2%	9.1%
Expected membership continuation at retirement	100.0%	100.0%
Expected retirement age	60	60
	Decrease	Increase
The effect of a 1% movement in the assumed health cost trend rate is as follows:		
Effect on the aggregate of the current service cost and interest cost	34 274	46 927
Effect on the defined-benefit obligation	170 675	226 461

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined-benefit obligation to significant actuarial assumptions the same method (present value of the defined-benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Trend information

	2016 R'000	2015 R'000	2014 R'000	2013 R'000	2012 R'000
Present value of funded obligation	984 549	934 266	919 250	719 798	820 492
Fair value of plan assets	(1 260 295)	(1 117 114)	(1 088 529)	(910 964)	(739 538)
Surplus in the plan	(275 746)	(182 848)	(169 279)	(191 166)	80 954
Experience adjustments on plan liabilities	108 082	66 144	17 632	148 515	37 594
Experience adjustments on plan assets	57 015	(58 704)	106 330	124 750	36 991

14.3 Retirement benefits (pension and medical)

Plan assets are comprised as follows:

	2016 R'000	%	2015 R'000	%
Cash	312 519	19.8	252 413	16.8
Bonds	339 554	21.5	396 309	26.4
Equity instruments	890 855	56.6	813 856	54.3
Property	20 576	1.3	21 739	1.4
International equities and cash	13 215	0.8	15 836	1.1
	1 576 719	100.0	1 500 153	100.0

Investments are diversified, with the largest proportion of assets invested in South African equities, although the Group also invests in property, bonds, cash and international investment instruments. The Group believes that equities offer the best returns over the long term with an acceptable level of risk.

The expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected returns on equity and property investments reflect long-term real rates of return experienced in the respective markets. Expected yields on interest investments are based on gross redemption yields.

Expected contributions to post-employment defined-benefit plans for the year to 30 June 2017 are R0.4 million.

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience. Mortality assumptions for southern Africa are based on PA(90) post-retirement mortality tables with a minimum annual improvement of between 0.5% and 1.0%.

15. DEFERRED INCOME TAX

Deferred income tax assets and deferred income tax liabilities are off-set when there is a legally enforceable right to off-set and when the deferred income tax relates to the same fiscal authority.

	2016 R'000	2015 R'000
The amounts disclosed on the statement of financial position are as follows:		
Companies in the Group with net deferred income tax assets		
Deferred tax asset to be recovered after more than 12 months	(136 031)	(101 686)
Companies in the Group with net deferred income tax liabilities		
Deferred tax liability to be recovered after more than 12 months	580 044	514 889
Deferred tax liability to be recovered within 12 months	143 385	113 094
	723 429	627 983
Net deferred income tax liability	587 398	526 297
The net movement on the deferred income tax account is as follows:		
Opening balance	526 297	513 011
Income statement charge (note 25)		
Provision for the year	43 305	(26 026)
Exchange differences	(12 767)	14 242
Charged to other comprehensive income (note 11)	30 563	25 070
Balance at the end of the year	587 398	526 297

The gross movement in deferred income tax assets and liabilities during the year, without taking offsetting into account, is as follows:

	Intangible assets R '000	Allowances on fixed assets R '000	Biological assets R '000	Retirement benefits R '000	Total R '000
Deferred income tax liabilities					
2016					
Opening balance	128 189	493 788	21 596	77 460	721 033
Exchange differences	4 363	(2 468)	–	–	1 895
Charged to the income statement	(1 996)	127 886	(1 323)	(8 165)	116 402
Charged to other comprehensive income	–	–	–	33 378	33 378
Balance at the end of the year	130 556	619 206	20 273	102 673	872 708
2015					
Opening balance	119 956	433 378	21 420	63 459	638 213
Exchange differences	8 233	2 898	–	–	11 131
Charged to the income statement	–	57 512	176	(10 147)	47 541
Charged to other comprehensive income	–	–	–	24 148	24 148
Balance at the end of the year	128 189	493 788	21 596	77 460	721 033

Deferred income tax assets	Impairment of receivables R'000	Assessed losses R'000	Leave and bonus accruals R'000	Other R'000	Total R'000
2016					
Opening balance	(1 265)	(102 657)	(51 865)	(38 949)	(194 736)
Exchange differences	–	(14 871)	–	209	(14 662)
Charged to the income statement	(3 196)	(28 370)	(28 567)	(12 964)	(73 097)
Charged to other comprehensive income	–	–	–	(2 815)	(2 815)
Balance at the end of the year	(4 461)	(145 898)	(80 432)	(54 519)	(285 310)
2015					
Opening balance	(1 616)	(76 921)	(24 913)	(21 752)	(125 202)
Exchange differences	–	3 227	–	(116)	3 111
Charged to the income statement	351	(28 963)	(26 952)	(18 003)	(73 567)
Charged to other comprehensive income	–	–	–	922	922
Balance at the end of the year	(1 265)	(102 657)	(51 865)	(38 949)	(194 736)

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related benefit through future taxable profits is probable.

Refer to note 25 for taxation losses and capital improvements available for off-set against future taxable income.

Deferred income tax liabilities have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries.

16. **TRADE AND OTHER PAYABLES**

	2016 R'000	2015 R'000
Trade payables	2 107 734	2 064 665
Accrued expenses	169 172	159 593
Accrued leave pay	88 397	86 815
Excise duty	797 382	678 742
Value added tax	72 267	27 313
	3 234 972	3 017 128

17. PROVISIONS

	2016 R'000	2015 R'000
Bonuses		
Opening balance	129 984	13 257
Charged to the income statement		
Additional provisions	234 540	135 597
Unused amounts – reversed	(750)	–
Interest cost	402	333
Utilised during the year	(124 458)	(19 203)
Balance at the end of the year	239 718	129 984
Excise duty		
Opening balance	201 671	189 781
Payments made	(131 477)	–
Charged to the income statement		
Additional provisions	11 869	11 890
Balance at the end of the year	82 063	201 671
Summary		
Performance and other bonuses	234 880	125 250
Long-service bonuses	4 838	4 734
	239 718	129 984
Excise duty	82 063	201 671
	321 781	331 655

Performance and other bonuses

The majority of employees in service of the Group participate in a performance-based incentive scheme and a provision is made for the estimated liability in terms of set performance criteria. These bonuses are paid in October of every year.

Long-service bonuses

The Group pays long-service bonuses to employees after 10, 25 and 35 years of service respectively. An actuarial calculation is done to determine the Group's liability under this practice using the projected unit credit method. The calculation is based on a discount rate of 9.6% (2015: 8.0%) and an attrition rate of 7.0% (2015: 7.0%).

Excise duty

The Supreme Court of Appeal (SCA) in May 2012 ruled in favour of the South African Revenue Service (SARS) that certain of our wine apéritif products should be classified as spirituous beverages under a higher rate of excise duty. Provision was made for the higher rate of duty on all our wine apéritif products, plus interest.

Following the ruling by the SCA, the amount of additional duty plus interest on the particular products has been paid to SARS. The correct tariff classification of the remainder of the wine apéritif products remained in dispute and the Supreme Court in Pretoria in February 2016 ruled in favour of SARS. Following the ruling by the Supreme Court the additional duty was paid. The amount provided for herein is for interest on such additional duty which remains in dispute. Our matter before the courts is based on expert opinion and legal advice of Senior Counsel.

18. **REVENUE**

	2016 R'000	2015 R'000
Group		
Sales	16 664 825	15 421 903
Excise duty	4 805 295	4 167 067
	21 470 120	19 588 970
Sales volumes (litres '000)	671 844	653 670
Company		
Dividends received		
Ordinary shares: South African Distilleries and Wines (SA) Limited	656 507	627 630
Preference shares: Distell Beverages (RF) Proprietary Limited	216 727	191 963
	873 234	819 593

19. **OPERATING COSTS**

19.1 **Costs classified by function**

	2016 R'000	2015 R'000
Costs of goods sold	13 767 664	12 813 730
Sales and marketing costs	3 211 513	2 699 733
Distribution costs	1 087 991	1 120 368
Administration and other costs	973 250	820 768
	19 040 418	17 454 599

19.2 **Costs classified by nature**

	2016 R'000	2015 R'000
Group		
Administrative and managerial fees	18 772	22 834
Advertising costs and promotions	1 866 180	1 736 643
Amortisation of intangible assets (note 6)	28 116	19 111
Auditors' remuneration (note 19.3)	13 538	14 290
Depreciation (note 2)	343 581	290 335
Employee benefit expense (note 19.4)	2 462 152	2 130 661
Impairment of trade and other receivables	11 314	13 204
Impairment of trademark	80 155	–
Maintenance and repairs	219 911	191 886
Net fair value adjustment of biological assets (note 3)	6 827	(777)
Net foreign exchange gains	(125 293)	(22 348)
Operating lease expenses (notes 19.5 and 30)	294 882	268 214
Raw materials and consumables used	12 179 071	11 273 401
Research and development expenditure: trademarks and brands	49 250	57 853
Transportation costs	409 968	379 459
Other expenses	1 181 994	1 079 833
	19 040 418	17 454 599

19.3 Auditors' remuneration

	2016 R'000	2015 R'000
Audit fees	9 702	9 015
Audit fees in respect of previous year	336	94
Fees for other services		
Taxation	367	1 242
Other	3 003	3 813
Expenses	130	126
	13 538	14 290

19.4 Employee benefit expense

	2016 R'000	2015 R'000
Salaries and wages	2 195 188	1 879 094
Share and share appreciation right scheme shares granted to directors and employees	45 573	31 686
Pension costs – defined-contribution plans	115 113	105 887
Medical aid contributions	88 746	81 185
Costs capitalised	(6 784)	–
Pension benefits (note 14.1)	(6 144)	(4 227)
Post-retirement medical benefits (note 14.2)	30 460	37 036
	2 462 152	2 130 661

19.5 Operating lease expenses

	2016 R'000	2015 R'000
Properties	183 733	159 367
Vehicles	54 589	58 134
Equipment	32 468	27 879
Machinery	24 092	22 834
	294 882	268 214

20. OTHER GAINS AND LOSSES

	2016 R'000	2015 R'000
Remeasurement of contingent consideration	–	(8 891)
Impairment of trademark	(80 155)	–
Profit on disposal of property, plant and equipment	2 074	3 576
	(78 081)	(5 315)
Taxation	(581)	(1 001)
	(78 662)	(6 316)

21. DIVIDEND INCOME

	2016 R'000	2015 R'000
Dividend income derived from unlisted investments	7 501	6 698
	7 501	6 698

22. FINANCE INCOME

	2016 R'000	2015 R'000
Interest received		
Bank	15 158	22 388
Other	1 643	853
Gains on financial instruments		
Interest rate swaps: cash flow hedges	4 201	–
	21 002	23 241

23. FINANCE COSTS

	2016 R'000	2015 R'000
Interest paid		
Bank borrowings	(269 657)	(240 933)
Other	(12 133)	(13 120)
Losses on financial instruments		
Interest rate swaps: cash flow hedges	–	(5 658)
	(281 790)	(259 711)

24. SHARE OF EQUITY-ACCOUNTED EARNINGS

	2016 R'000	2015 R'000
Share of profit of associates		
Share of profit before taxation	73 305	97 936
Share of taxation	(20 339)	(28 675)
Share of profit for the year	52 966	69 261
Share of profit of joint ventures		
Share of profit before taxation	6 486	28 991
Share of taxation	(1 410)	(8 851)
Share of profit for the year	5 076	20 140
	58 042	89 401

25. TAXATION

25.1 Normal company taxation

	2016 R'000	2015 R'000
Group		
Current taxation		
current year	589 427	595 333
previous year	(8 247)	(283)
Deferred taxation	43 305	(26 026)
	624 485	569 024
Composition		
Normal South African taxation	537 865	483 582
Foreign taxation	86 620	85 442
	624 485	569 024

The income tax charged to other comprehensive income during the year is as follows:

	2016 R'000	2015 R'000
Deferred taxation		
fair value adjustments of available-for-sale financial assets	(2 815)	922
remeasurements of post-employment benefits	33 378	24 148
	30 563	25 070

25.2 Reconciliation of rate of taxation (%)

	2016 R'000	2015 R'000
Standard rate for companies	28.0	28.0
Differences arising from normal activities:		
non-taxable income	(0.1)	–
non-deductible expenses	2.4	1.5
adjustments in respect of prior years	(0.4)	0.3
foreign tax rate differential, withholding taxes and income from associates	(0.9)	(1.2)
Effective rate	29.0	28.6

The standard rate of tax for companies in South Africa is 28,0% (2015: 28.0%).

25.3 Taxation losses

Calculated taxation losses and capital improvements available for off-set against

	2016 R'000	2015 R'000
Future taxable income	389 684	277 058
Applied to reduce deferred income tax	(388 607)	(276 278)
	1 077	780

The taxation losses have no expiry dates.

26. EARNINGS PER ORDINARY SHARE

26.1 Basic, headline and cash equivalent earnings per share

The calculation of earnings per ordinary share is based on earnings as detailed below and on the weighted average number of ordinary shares in issue.

	2016 R'000	2015 R'000
Weighted average number of ordinary shares in issue ('000)	219 038	218 621
<i>Earnings reconciliation</i>		
Profit attributable to equity holders	1 531 986	1 437 136
Adjusted for (net of taxation):		
impairment of trademark	80 155	–
net other capital gains (note 20)	(1 493)	(2 575)
Headline earnings	1 610 648	1 434 561
Adjusted for (net of taxation):		
remeasurement of contingent consideration (note 20)	–	8 891
Normalised headline earnings	1 610 648	1 443 452
Basic earnings per share (cents)	699.4	657.4
Headline earnings per share (cents)	735.3	656.2
Normalised headline earnings per share (cents)	735.3	660.3
Cash equivalent earnings		
Profit attributable to equity holders	1 531 986	1 437 136
Adjusted for:		
deferred income tax (note 25.1)	43 305	(26 026)
non-cash flow items (note 28.1)	857 954	512 207
Total cash equivalent earnings	2 433 245	1 923 317
Cash equivalent earnings per share (cents)	1 110.9	879.7

Cash equivalent earnings per share: Earnings attributable to equity holders, after taking into account the adjustments explained above, divided by the weighted average number of ordinary shares in issue. This basis recognises the potential of the earnings stream to generate cash.

26.2 Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

For the Share and Share Appreciation Right Schemes a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the company's shares) based on the monetary value of the subscription rights attached to outstanding shares. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share rights.

	2016 R'000	2015 R'000
Weighted average number of ordinary shares in issue ('000)	219 038	218 621
Adjusted for:		
Share and SAR scheme and bonus shares	725	834
Weighted average number of ordinary shares for diluted earnings ('000)	219 763	219 455
Diluted earnings per share (cents)	697.1	654.9
Diluted headline earnings per share (cents)	732.9	653.7
Diluted normalised headline earnings per share (cents)	732.9	657.7
Diluted cash equivalent earnings per share (cents)	1 107.2	876.4

27. DIVIDENDS

	2016 R'000	2015 R'000
Paid: 165.0 cents (2015: 158.0 cents)	361 954	345 797
Declared: 214.0 cents (2015: 188.0 cents)	469 444	416 866
Total: 379.0 cents (2015: 346.0 cents)	831 398	762 663

A final dividend of 214.0 cents per share was declared for the financial year ended 30 June 2016. The dividend will be paid on Monday, 26 September 2016. The last date to trade cum dividend will be Tuesday, 20 September 2016.

The shares of Distell will commence trading ex dividend from the commencement of business on Wednesday, 21 September 2016, and the record date will be Friday, 23 September 2016.

Since the final dividend was declared subsequent to year-end, it has not been provided for in the annual financial statements.

28. CASH FLOW INFORMATION

28.1 Non-cash flow items

	2016 R'000	2015 R'000
Depreciation	343 581	290 335
Net fair value adjustment of biological assets	6 827	(777)
Intangible assets amortisation	28 116	19 111
Profit on disposal of property, plant and equipment	(2 074)	(3 576)
Provision for impairment of receivables	10 449	(2 412)
Provision for retirement benefits	85 670	38 192
Provision for leave and bonuses	244 590	141 478
Provision for excise duty	11 869	11 890
Share Appreciation Rights and Scheme Shares granted to directors and employees	45 573	31 686
Impairment of trademarks	80 155	–
Other	3 198	(13 720)
	857 954	512 207

28.2 Working capital changes

	2016 R'000	2015 R'000
Increase in inventories	(204 555)	(580 136)
Increase in trade and other receivables	(491 093)	(363 624)
Decrease in trade and other payables	(33 488)	414 435
	(729 136)	(529 325)

28.3 Taxation paid

	2016 R'000	2015 R'000
Unpaid at the beginning of the year	(36 334)	53 827
Current provision for taxation	(581 180)	(595 050)
Exchange differences	1 880	218
Prepaid at the end of the year	(1 570)	36 334
	(617 204)	(504 671)

28.4 Dividends paid

	2016 R'000	2015 R'000
Group		
Dividends declared	(783 346)	(755 571)
Dividends paid to The Distell Group Share Trust	478	848
Dividends paid to Distell Beverages (RF) Proprietary Limited	9 361	9 043
Unpaid at the end of the year	–	–
	(773 507)	(745 680)
Company		
Dividends declared	(783 346)	(755 571)
Unpaid at the end of the year	–	–
	(783 346)	(755 571)

28.5 Purchases of property, plant and equipment (PPE) to maintain operations

	2016 R'000	2015 R'000
Properties	(69 350)	(31 851)
Machinery, tanks and barrels	(309 285)	(182 030)
Equipment and vehicles	(30 806)	(34 119)
Assets under construction	(16 245)	(73 801)
	(425 686)	(321 801)

28.6 Purchases of PPE to expand operations

	2016 R'000	2015 R'000
Properties	(40 588)	(43 779)
Biological assets	(1 786)	(578)
Machinery, tanks and barrels	(433 811)	(202 383)
Equipment and vehicles	(75 137)	(45 307)
Assets under construction	(61 545)	(154 533)
	(612 867)	(446 580)

28.7 Decrease in net cash, cash equivalents and bank overdrafts

	2016 R'000	2015 R'000
Balance at the beginning of the year	(230 868)	(7 335)
Exchange gains on cash, cash equivalents and bank overdrafts	(32 075)	(24 179)
Balance at the end of the year	102 402	230 868
Cash at bank and on hand	1 032 402	619 367
Call accounts and bank overdrafts	(930 000)	(388 499)
	(160 541)	199 354

29. SEGMENT ANALYSIS

Management has determined the operating segments based on the reports reviewed by the executive management team (chief operating decision-maker) for the purpose of assessing performance, allocating resources and making strategic decisions.

The executive management considers the business from a geographic perspective with reference to the performance of South Africa and other international operations. Revenue includes excise duty.

The reportable operating segments derive their revenue primarily from the production, marketing and distribution of alcoholic beverages and other non-alcoholic items.

The Group is not reliant on any one major customer due to the large number of customers and their dispersion across geographical areas.

Financial liabilities are also not reviewed on a segmental basis and are not disclosed separately.

The executive management team assesses the performance of the operating segments based on a measure of adjusted operating profit. This measurement basis excludes, for example, corporate service cost centres such as global marketing, corporate governance, corporate affairs, business improvement, human resources, information technology, corporate finance, supply chain and the effects of equity-settled share-based payments and unrealised gains/losses on financial instruments that are shown separately under 'corporate'. Finance income and finance costs are also not allocated to segments as this type of activity is driven by the central treasury function, which manages the cash position of the Group.

Operating segments that have been aggregated meets the majority of the aggregation criteria as per IFRS 8 paragraph 12. In addition they have similar economic characteristics based on similar gross profit margin. The operating segments that have been aggregated within the 'rest of international' column consist out of Asia Pacific, Taiwan, North America, Latin America and Travel Retail.

The segment information provided to the executive management team for the reportable segments are as follows:

2016	South Africa R'000	BLNS R'000	Rest of Africa R'000	Europe R'000	Rest of International R'000	Corporate R'000	Total R'000
Revenue	15 362 115 (10 158 302)	1 748 679 (1 139 763)	1 103 484 (696 045)	1 639 887 (1 012 262)	1 614 994 (716 552)	961 (44 740)	21 470 120 (13 767 664)
Costs of goods sold							
Gross profit	5 203 813 (2 390 404)	608 916 (210 700)	407 439 (259 619)	627 625 (475 655)	898 442 (650 143)	(43 779) (1 364 314)	7 702 456 (5 350 835)
Operating costs							
Operating profit before allocations	2 813 409	398 216	147 820	151 970	248 299	(1 408 093)	2 351 621
Equity-accounted earnings and dividend income	-	-	56 862	-	(6 678)	15 359	65 543
EBIT before allocations	2 813 409	398 216	204 682	151 970	241 621	(1 392 734)	2 417 164
Allocations	(244 704)	(22 043)	(10 789)	(13 870)	(9 773)	301 179	-
EBIT after allocations	2 568 705	376 173	193 893	138 100	231 848	(1 091 555)	2 417 164
Equity-accounted earnings and dividend income	-	-	(56 862)	-	6 678	(15 359)	(65 543)
Operating profit	2 568 705	376 173	137 031	138 100	238 526	(1 106 914)	2 351 621
EBIT before allocations attributable to:							
Equity holders of the company	2 813 409	398 216	215 393	151 970	241 621	(1 403 350)	2 417 259
Non-controlling interest	-	-	(10 711)	-	-	10 616	(95)
Non-current assets	2 813 409	398 216	204 682	151 970	241 621	(1 392 734)	2 417 164
	5 111 533	70 100	345 912	2 782 583	2 041	-	8 312 169

2015	South Africa R'000	BLNS R'000	Rest of Africa R'000	Europe R'000	Rest of International R'000	Corporate R'000	Total R'000
Revenue	13 709 486	1 659 830	1 287 388	1 392 969	1 485 393	53 904	19 588 970
Costs of goods sold	(9 067 029)	(1 091 535)	(857 874)	(926 401)	(724 407)	(146 484)	(12 813 730)
Gross profit	4 642 457	568 295	429 514	466 568	760 986	(92 580)	6 775 240
Operating costs	(2 266 327)	(199 171)	(228 252)	(433 695)	(506 304)	(1 012 435)	(4 646 184)
Operating profit before allocations	2 376 130	369 124	201 262	32 873	254 682	(1 105 015)	2 129 056
Equity-accounted earnings and dividend income	-	-	78 287	-	-	17 812	96 099
EBIT before allocations	2 376 130	369 124	279 549	32 873	254 682	(1 087 203)	2 225 155
Allocations	(180 590)	(14 614)	(7 381)	(7 155)	(5 158)	214 898	-
EBIT after allocations	2 195 540	354 510	272 168	25 718	249 524	(872 305)	2 225 155
Equity-accounted earnings and dividend income	-	-	(78 287)	-	-	(17 812)	(96 099)
Operating profit	2 195 540	354 510	193 881	25 718	249 524	(890 117)	2 129 056
EBIT before allocations attributable to:							
Equity holders of the company	2 376 130	369 124	301 379	32 873	254 682	(1 091 558)	2 242 630
Non-controlling interest	-	-	(21 830)	-	-	4 355	(17 475)
Non-current assets	2 376 130	369 124	279 549	32 873	254 682	(1 087 203)	2 225 155
	4 448 930	64 022	324 909	2 592 354	5 036	-	7 435 251

Note: BLNS = Botswana, Lesotho, Namibia and Swaziland

EBIT = Earnings before interest and tax

30. COMMITMENTS

Capital commitments

	2016 R'000	2015 R'000
Capital expenditure contracted, not yet incurred	893 322	411 334
Capital expenditure authorised by the directors, not yet contracted	1 163 271	1 052 387
	2 056 593	1 463 721

Composition of capital commitments

Subsidiaries	2 056 593	1 463 721
	2 056 593	1 463 721

These commitments will be incurred in the coming year and will be financed by own and borrowed funds, comfortably contained within established gearing constraints.

Operating lease commitments

The Group leases various farming land, warehouses, machinery, equipment and vehicles under non-cancellable operating lease agreements. The leases have varying terms, renewal rights and escalation clauses. The majority of escalation clauses are linked to the CPI or equivalent inflation rate.

The future minimum lease payments under non-cancellable operating leases are as follows:

	2016 R'000	2015 R'000
Not later than one year	67 821	67 212
Later than one year and not later than five years	90 347	116 017
Later than five years	30 995	–
	189 163	183 229

Finance lease commitments

The Group entered into finance lease agreements with financial institutions for the lease of vehicles for a period of between 48 and 60 months. In terms of the lease agreements instalments are payable at the end of each month. The Group sells the vehicles at the end of the lease agreements. The agreements have no contingent rentals.

	Not later than 1 year R'000	Later than 1 year and not later than 5 years R'000	2016 Total R'000	2015 Total R'000
Minimum lease payments	61	–	61	391
Finance costs	(1)	–	(1)	(23)
Present value of minimum lease payments	60	–	60	368

31. FINANCIAL INSTRUMENTS BY CATEGORY

Financial instruments disclosed in the statement of financial position include interest-bearing borrowings, financial assets, cash and cash equivalents, trade and other receivables and trade and other payables.

The following is a summary of financial instrument categories applicable to the Group:

	Loans and receivables R'000	Assets at fair value through profit and loss R'000	Available- for-sale R'000	Liabilities at fair value through profit and loss R'000	Other financial liabilities at amortised cost R'000	Total R'000
2016						
Available-for-sale financial assets (note 4)	-	-	79 708	-	-	79 708
Other loans and receivables (note 4)	181 195	-	-	-	-	181 195
Cash and cash equivalents	1 032 402	-	-	-	-	1 032 402
Trade and other receivables	2 547 805	-	-	-	-	2 547 805
Derivative financial instruments (note 9)	-	10 883	-	(17 668)	-	(6 785)
Interest-bearing borrowings (note 13)	-	-	-	-	(4 926 589)	(4 926 589)
Trade and other payables	-	-	-	-	(2 259 258)	(2 259 258)
	3 761 402	10 883	79 708	(17 668)	(7 185 847)	(3 351 522)
2015						
Available-for-sale financial assets (note 4)	-	-	99 754	-	-	99 754
Other loans and receivables (note 4)	191 159	-	-	-	-	191 159
Cash and cash equivalents	619 367	-	-	-	-	619 367
Trade and other receivables	2 068 955	-	-	-	-	2 068 955
Derivative financial instruments (note 9)	-	1 401	-	(5 658)	-	(4 257)
Interest-bearing borrowings (note 13)	-	-	-	-	(4 193 824)	(4 193 824)
Trade and other payables	-	-	-	-	(2 218 600)	(2 218 600)
	2 879 481	1 401	99 754	(5 658)	(6 412 424)	(3 437 446)

32. FINANCIAL RISK MANAGEMENT

32.1 Financial risk factors

The board of directors oversees the adequacy and functioning of the entire system of risk management and internal control, assisted by management. Group internal audit provides independent assurance on the entire risk management and internal control system. Regional and subsidiary company management are responsible for managing performance, underlying risks and effectiveness of operations, within the rules set by the board, supported and supervised by Group departments. The audit and risk committee reviews the internal control environment and risk management systems within the Group and it reports its activities to the board. The board members receive a monthly report on treasury activities, including confirmation of compliance with treasury risk management policies.

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk and foreign currency risk), credit risk and liquidity risk. The board approves prudent treasury policies for managing each of the risks summarised below.

The Group's corporate treasury department is responsible for controlling and reducing exposure to interest rate, liquidity and currency transaction risks. Senior executives and advisers meet on a regular basis to analyse currency and interest rate exposures and re-evaluate treasury management strategies against revised economic forecasts. Group policies, covering specific areas such as foreign exchange risk, interest rate risk, credit risks, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity, are reviewed annually by the board. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their

roles and responsibilities. The Group treasury department does not undertake speculative financial transactions.

32.1(a) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group is not materially exposed to equity price risk on investments held and classified on the consolidated statement of financial position as available-for-sale.

(i) Foreign currency risk management

The Group operates internationally and has transactional currency exposures, which principally arise from commercial transactions, recognised assets and liabilities and investment in foreign operations. In order to manage this risk the Group may enter into transactions in terms of approved policies and limits which make use of financial instruments that include forward foreign exchange contracts. Foreign subsidiaries do not have material transactional currency exposures as they mainly operate in their functional currencies.

The Group does not speculate or engage in the trading of financial instruments.

The Group is primarily exposed to the currency of the US dollar and euro. If the rand had weakened/strengthened by 10% against the USD on 30 June 2016, with all other variables remaining constant, the post-tax profit for the year would have been R24.7 million (2015: R5.5 million) lower/higher, mainly as a result of translating outstanding foreign currency denominated monetary items.

Similarly, had the rand at 30 June 2016 weakened/strengthened by 10% against the euro, with all other variables remaining constant, the post-tax profit for the year would have been R29.5 million (2015: R37.9 million) lower/higher.

(ii) Price risk management

The Group is exposed to equity securities price risk because of investments held by the Group and classified as available-for-sale on the consolidated statement of financial position. The Group is not exposed to commodity price risk. To manage the price risk the Group diversifies its portfolio.

(iii) Interest rate risk management

The Group's interest rate risk arises from long-term borrowings. Borrowings at variable interest rates expose the Group to cash flow interest rate risk, while fixed rate borrowings expose the Group to fair value interest rate risk.

The Group is exposed to interest rate risk arising from the repricing of forward cover and floating rate debt as well as incremental funding/new borrowings and the rollover of maturing debt/refinancing of existing borrowings.

The management of the actual debt and investment portfolios is done by adjusting the repricing and maturity profiles of the debt and/or investment portfolios from time to time, relative to that of the benchmark portfolios as well as using derivative instruments to alter the repricing profiles of the actual portfolios relative to the benchmark portfolios.

As at 30 June 2016, if the floating interest rates had been 100 basis points higher/lower and all other variables held constant, the Group's post-tax profit for the year would have increased/decreased as a result of interest received/paid on cash and cash equivalents and borrowings by R30.9 million (2015: R28.4 million).

The other financial instruments in the Group's statement of financial position are not exposed to interest rate risk.

32.1 (b) Credit risk management

Potential concentrations of credit risk principally exist for trade and other receivables, cash and cash equivalents and derivative financial instruments. The Group only deposits cash with banks with high credit ratings. Trade receivables comprise a large, widespread customer base and the Group performs ongoing credit evaluations of the financial condition of these customers. The type of customers range from wholesalers and distributors to smaller retailers. The granting of credit is controlled by application and the credit limits assigned to each individual customer are reviewed and updated on an ongoing basis taking into consideration its financial position, past experience and other factors. The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

At year-end the Group's cash was invested at financial institutions with the following Moody's short-term credit rating:

	2016 R'000	2015 R'000
P-1	1 030 728	508 003
P-2	280	109 932
Cash	1 394	1 432
	1 032 402	619 367

The Group is exposed to credit-related losses in the event of non-performance by counterparties relating to derivative financial instruments. The counterparties to these contracts are major financial institutions. The Group continually monitors its positions and the credit ratings of its counterparties and limits the extent to which it enters into contracts with any one party.

The carrying amount of the financial assets recorded in the financial statements, which is net of impaired losses, represents the Group's maximum exposure to credit risk.

The Group is also exposed to credit-related losses in the event of non-performance by counterparties to financial guarantee contracts relating to vineyard development loans to certain farmers of R30.4 million (2015: R30.3 million) and staff housing loans of R2.5 million (2015: R2.5 million). The guarantees relating to vineyard development loans are secured by mortgage bonds over farming property with a market value in excess of the loan obligations. The Group continually monitors its positions and limits its exposure with any one party.

At 30 June 2016 the Group did not consider there to be a significant concentration of credit risk which had not been adequately provided for.

32.1 (c) **Liquidity risk management**

The Group manages liquidity risk through the compilation and monitoring of cash flow forecasts, as well as ensuring that adequate borrowing facilities are maintained. Refer to note 13 regarding the Group's unutilised banking facilities and reserve borrowing capacities. Banking facilities are renewed annually and are subject to review at various dates during the next year.

The table below analyses the Group's financial liabilities and derivative financial instruments which will be settled on a gross basis into relevant maturity groupings based on the remaining period at the statement of financial position date to contract maturity date. The amounts disclosed in the table are the contracted undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	0 – 12 months R'000	1 – 2 years R'000	3 – 5 years R'000	Beyond 5 years R'000	2016 Total R'000	2015 Total R'000
Financial liabilities						
Forward exchange contracts held for trading						
– Outflow	397 044	–	–	–	397 044	236 628
– Inflow	380 766	–	–	–	380 766	238 029
Trade and other payables	2 259 510	–	–	–	2 259 510	2 224 258
Financial guarantees	30 343	–	–	–	30 343	30 343
Interest-bearing borrowings	3 950 569	104 557	1 304 496	–	5 359 622	4 773 011

32.2 Fair value estimation

The table below analyses assets and liabilities carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

Specific valuation techniques used to value these assets and liabilities include:

Cash and cash equivalents, trade and other receivables and loans: The carrying amounts reported in the statement of financial position approximate fair values due to the short-term maturities of these amounts.

Available-for-sale financial assets: The fair value is based on quoted bid prices at the statement of financial position date. The fair value of financial instruments that are not trading in an active market is determined by using various valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument would be included in level 3. Several valuation techniques are used included discounted cash flow analysis for level 2 and 3 financial assets.

Biological assets: The fair value was calculated with reference to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of mature grapevines was calculated using discounted net cash flows. Refer to note 3 for more detail.

Forward foreign exchange contracts: Forward foreign exchange contracts are entered into to cover import orders and export proceeds, and fair values are determined using foreign exchange bid or offer rates at the year-end as the significant inputs in the valuation.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June:

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
2016				
Available-for-sale financial assets	15 532	18 036	46 140	79 708
Biological assets	–	–	100 866	100 866
Derivative financial assets	–	10 883	–	10 883
Derivative financial liabilities	–	(17 668)	–	(17 668)
	15 532	11 251	147 006	173 789
2015				
Available-for-sale financial assets	16 554	15 734	67 466	99 754
Biological assets	–	–	105 914	105 914
Derivative financial assets	–	1 401	–	1 401
Derivative financial liabilities	–	(5 658)	–	(5 658)
	16 554	11 477	173 380	201 411

There were no transfers between level 1 and level 2 during the year.

The movement in level 3 assets for the year ended 30 June is as follows:

	2016 R'000	2015 R'000
Opening balance	173 380	167 662
Acquisitions	1 786	578
Disposals	(7)	–
Impairments	(28 080)	–
Decrease due to harvest	(41 491)	(50 651)
Gain due to biological change, price, yield, maturity and cost changes	34 664	51 428
Gains and losses recognised in the statements of comprehensive income	6 754	4 363
Balance at the end of the year	147 006	173 380

There were no transfers into or out of level 3 investments during the year.

32.3 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position sheet plus net debt.

During 2016 the Group's strategy, which was unchanged from 2015, was to maintain the gearing ratio where debt is adequately serviced by the Group's earnings, so maintaining the current investment grade rating of the Group. The investment grade credit rating has been maintained throughout the period. The gearing ratio at 30 June 2016 and 2015 was as follows:

	2016 R'000	2015 R'000
Total borrowings (note 13)	4 926 589	4 193 824
Less: Cash and cash equivalents	(1 032 402)	(619 367)
Net debt	3 894 187	3 574 457
Total equity	10 672 259	9 556 397
Total capital	14 566 446	13 130 854
Gearing ratio	26.7%	27.2%

33. ACQUISITION OF KWA HOLDINGS E.A. LIMITED

Acquisition of interest in associate

In December 2014 the Group acquired a 26% interest in the issued share capital of KWA Holding E.A. Limited (KHEAL) for a purchase consideration of R111.3 million.

The consideration paid for KHEAL, the total net assets and goodwill, is summarised as follows:

	2016 R '000	2015 R '000
Total net assets	–	64 678
Goodwill	–	46 604
Total consideration	–	111 282

34. DIRECTORS' EMOLUMENTS

	2016			2015		
	Executive	Non-executive	Total	Executive	Non-executive	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Salaries and fees	8 639	5 294	13 933	7 403	3 743	11 146
Payments on retirement	706	–	706	–	–	–
Incentive bonuses	1 780	–	1 780	–	–	–
Retirement fund contributions	1 793	–	1 793	1 537	–	1 537
Medical aid contributions	83	–	83	63	–	63
Vehicle and other benefits ¹⁵	811	254	1 065	689	–	689
Paid by subsidiaries	13 812	5 548	19 360	9 692	3 743	13 435

	Salaries	Incentive bonuses	Payments on retirement	Retirement fund contributions	Medical aid contributions	Vehicle benefits	2016 Total	2015 Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Executive								
RM Rushton	5 234	1 043	–	1 086	36	406	7 805	6 256
MJ Botha ¹	1 373	386	706	285	16	151	2 917	3 436
LC Verwey ²	2 032	351	–	422	31	254	3 090	–
Subtotal	8 639	1 780	706	1 793	83	811	13 812	9 692

	Fees	Incentive bonuses	Retirement fund contributions	Medical aid contributions	Other benefits	2016 Total	2015 Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Non-executive							
PE Beyers ³	324	–	–	–	13	337	228
JG Carinus ⁴	81	–	–	–	–	81	228
GP Dingaan ⁵	557	–	–	–	23	580	420
JJ Durand ⁶	406	–	–	–	24	430	291
DP Du Plessis ⁷	158	–	–	–	6	164	–
E de la H Hertzog ⁸	162	–	–	–	20	182	227
MJ Madungandaba	242	–	–	–	14	256	245
EG Matenge-Sebesho ⁹	121	–	–	–	7	128	–
LM Mojela ¹⁰	324	–	–	–	16	340	299
DM Nurek ¹¹	1 302	–	–	–	25	1 327	904
CA Otto ¹²	324	–	–	–	28	352	242
AC Parker ¹³	480	–	–	–	27	507	350
CE Sevillano-Barredo ¹⁴	571	–	–	–	20	591	434
BJ van der Ross	242	–	–	–	31	273	220
Subtotal	5 294	–	–	–	254	5 548	4 088
Total	13 933	1 780	1 793	83	1 065	19 360	13 780

1. Mr MJ Botha retired on 31 December 2015.

2. Mr LC Verwey was appointed as Group finance director from 1 September 2015 to succeed Mr MJ Botha.

3. Mr PE Beyers is a member of the investment committee.

4. Mr JG Carinus resigned on 28 October 2015.

5. Ms GP Dingaan is chairperson of the social and ethics committee and a member of the audit and risk and investment committees.

6. Mr JJ Durand is a member of the remuneration, nomination and investment committees.

7. Mr DP Du Plessis was appointed on 25 November 2015.

8. Dr D de la H Hertzog resigned on 17 February 2016.

9. Ms EG Matenge-Sebesho was appointed on 25 November 2015.

10. Ms LM Mojela is a member of the remuneration and nomination committees.
11. Mr DM Nurek is chairman of the board and a member of the audit and risk, remuneration and nomination committees.
12. Mr CA Otto is a member of the investment committee.
13. Mr AC Parker is chairman of the remuneration committee and member of the nomination and investment committees.
14. Ms CE Sevillano-Barredo is chairperson of the audit and risk committee and member of the investment committee.
15. Directors receive an allowance to purchase products from the Group's brand portfolio.

35. INTEREST OF DIRECTORS IN SHARE CAPITAL AND CONTRACTS

On 30 June 2016 and on 30 June 2015, as well as on the date of this report, the directors of the company held in total less than 1% of the company's issued share capital.

Interests of the directors in the number of shares issued

Ordinary shares	Direct		Indirect		2016 Total	2015 Total
	Beneficial	Non-beneficial	Beneficial	Non-beneficial		
DM Nurek	–	–	15 000	–	15 000	15 000
	–	–	15 000	–	15 000	15 000

The other directors of the company have no interest in the issued capital of the company. There was no change in these interests since the financial year-end.

The directors of the company have each certified that they did not have any interest in any contract of significance to the company or any of its subsidiaries which would have given rise to a related conflict of interest during the year.

36. SHARE AND SHARE APPRECIATION RIGHT SCHEMES

Share Scheme

In the financial years ended 30 June 2016 and 30 June 2015 no additional shares were offered to directors.

Current status

Participant	Ordinary shares		Offer price (Rand)	Number of shares paid and delivered prior to 30 June 2015	Number of shares paid and delivered in the year to 30 June 2016	Share price on date of payment and delivery (Rand)	Increase in value * R'000	Balance of shares accepted as at 30 June 2016
	Shares accepted prior to 30 June 2015	Shares accepted in the year to 30 June 2016						
Executive								
MJ Botha	8 667	–	64.00	5 778	2 889	165.00	292	–
Total	8 667	–		5 778	2 889		292	–

* Refers to the increase in value of the scheme shares of the indicated participants from the offer date to the date of payment and delivery during the current financial year. The scheme is a deferred purchase scheme (see note 10).

Distell Share Appreciation Right Scheme

In the current financial year 198 567 (2015: 74 241) share appreciation rights (SARs) were offered to directors.

Current status

Share appreciation rights

Participant	SARs accepted prior to 30 June 2015	SARs accepted in the year to 30 June 2016	Offer price (Rand)	Number of SARs exercised prior to 30 June 2015	Number of SARs exercised in the year to 30 June 2016	Share price on exercise date (Rand)	Increase in value * R'000	Balance of SARs accepted as at 30 June 2016
Executive								
RM Rushton	342 834	–	139.00	–	–	–	–	342 834
RM Rushton	28 941	–	129.00	–	–	–	–	28 941
RM Rushton	–	142 116	170.30	–	–	–	–	142 116
LC Verwey	48 450	–	152.00	–	–	–	–	48 450
LC Verwey	–	56 451	170.30	–	–	–	–	56 451
MJ Botha	8 176	–	72.00	2 725	5 451	163.00	496	–
MJ Botha	8 921	–	66.00	–	5 946	162.72	575	2 975
MJ Botha	60 228	–	93.35	–	20 076	164.58	1 430	40 152
MJ Botha	38 826	–	139.00	–	–	–	–	38 826
MJ Botha	45 300	–	129.00	–	–	–	–	45 300
Total	581 676	198 567		2 725	31 473		2 501	746 045

* Refers to the increase in value of the SARs of the indicated participants from the offer date to the exercise date during the current financial year. See note 10 for details of the scheme.

Bonus shares

In the current financial year no additional (2015: Nil) shares were offered to the managing director (note 10.3).

Current status

Ordinary shares

Participant	Shares accepted prior to 30 June 2015	Shares accepted in the year to 30 June 2016	Offer price (Rand)	Number of shares paid and delivered prior to 30 June 2015	Number of shares paid and delivered in the year to 30 June 2016	Share price on date of payment and delivery (Rand)	Increase in value * R'000	Balance of shares accepted as at 30 June 2016
Executive								
RM Rushton	230 000	–	–	–	–	–	–	230 000

* Refers to the increase in value of the shares of the indicated participant from the offer date to the date of payment and delivery during the current financial year. The shares offered was a once-off award in lieu of benefits forfeited upon termination of his employment at his previous employer (see note 10.3).

37. RELATED-PARTY TRANSACTIONS

Distell Group Limited is controlled by Remgro-Capevin Investments Proprietary Limited which owns 52.8% of the Company's shares. Other Beverage Interests Proprietary Limited (SABMiller) owns 26.4% of the company's shares.

Related-party relationships exist between the Group, associates, joint ventures and the shareholders of the Company.

Group

The following transactions were carried out with subsidiaries of our major shareholders:

Purchases of goods and services

	2016 R'000	2015 R'000
Holding company		
Remgro Management Services Limited (management services)	13 102	12 033
Remgro Management Services Limited (interest on loans)	16 889	14 321
Joint Ventures		
LUSAN Holdings Proprietary Limited (goods and services)	99 982	104 929
Tonnellerie Radoux (SA) Proprietary Limited (goods and services)	5 305	6 114
Solamoyo Processing Company Proprietary Limited (goods and services)	1 068	1 068
Sale of goods and services		
Joint Ventures		
Tonnellerie Radoux (SA) Proprietary Limited (administration fees)	240	226
Tonnellerie Radoux (SA) Proprietary Limited (rent received)	–	553
LUSAN Holdings Proprietary Limited (administration fees)	245	224
LUSAN Holdings Proprietary Limited (marketing support)	7 817	7 857
Year-end balances arising from purchases of goods and services		
Current account		
Holding company		
Remgro Management Services Limited (including VAT)	1 245	2 131
Joint Ventures		
Tonnellerie Radoux (SA) Proprietary Limited (current account)	(9 050)	(6 053)
Solamoyo Processing Company Proprietary Limited (current account)	4 345	4 301
Loan account		
Other related parties	7 271	12 222
Joint Ventures		
LUSAN Holdings Proprietary Limited (loan account)	154 754	161 754
Les Domaines de Mauricia Limitee (loan account)	417	417
Associates		
Papkuilsfontein Vineyards Proprietary Limited (loan account)	14 546	14 546
Loans to related parties (note 4)	176 988	188 939

The Group has access to loan funds from Remgro Management Services Limited. A limited amount can be borrowed at a market-related rate and is repayable on demand. No amount was outstanding at the end of the current or previous financial years.

Key management compensation

The Executive Committee of Distell Limited, the main operating company in the Group

38 365 36 600

Also refer to notes 34, 35, 39 and 40.

Company

Refer to notes 18 and 21 for dividends received from subsidiaries.

38. INTEREST IN SUBSIDIARIES

The total profits/(losses) after taxation of consolidated subsidiaries for the year are as follows:

	2016 R'000	2015 R'000
Profits	1 763 645	1 469 143
Losses	(247 585)	(97 534)
Net consolidated profit after taxation	1 516 060	1 371 609

The company's direct interests in its subsidiaries are as follows:

	2016 R'000	2015 R'000
South African Distilleries and Wines (SA) Limited (85%) – Unlisted	991 561	993 756
Long-term loan – interest-free and repayable on demand	869 303	871 498
Share-based payment contribution	122 257	122 257
Shares	1	1
Distell International Holdings Limited (United Kingdom) (100%) – Unlisted	2 144	–
Shares	2 144	–
Distell Beverages (RF) Proprietary Limited	1 741 175	1 651 288
Variable rate cumulative redeemable preference shares	869 411	869 411
Cumulative arrear preference shares dividend	871 764	781 877
Investments in subsidiaries	2 734 880	2 645 044

The company's indirect interest in subsidiaries through South African Distilleries and Wines (SA) Limited is as follows:

Manufacturers and distributors	Nature of business	Issued share capital	
		Interest %	R
Bisquit Dubouché et Cie (France)	Manufacturer and distributor	100	405 036 148
Distell International Limited (United Kingdom)	Manufacturer and distributor	100	360 205 109
Devon Road Property Proprietary Limited	Manufacturer	100	100
Distell Angola Limitada (Angola)	Distributor	95	68 066 045
Distell Botswana (Proprietary) Limited (Botswana)	Distributor	100	3
Distell Ghana Limited (Ghana)	Distributor	60	20 178 649
Distell (Hong Kong) Limited (Hong Kong)	Distributor	100	19 520 165
Distell Mauritius Limited	Investment company	100	430 272 739
Distell Limited	Manufacturer and distributor	100	1 000
Distell Namibia Limited (Namibia)	Distributor	100	4 000
Distell Swaziland Limited (Swaziland)	Distributor	100	10 000
Durbanville Hills Wines Proprietary Limited	Manufacturer	72	981 700
Ecowash Proprietary Limited	Dormant	100	100
Expo Liquor Limited	Dormant	100	4 066 625
Lomond Development Company Limited	Dormant	100	100
Lomond Wine Estates Proprietary Limited	Farming	84	2 975
Mirma Products Proprietary Limited	Farming	45	450
Namibia Wines & Spirits Limited (Namibia)	Distributor	100	100 000
Nederburg Wine Farms Limited	Farming	100	200
Nederburg Wines Proprietary Limited	Manufacturer	100	218 870
SFW Financing Company Limited	Dormant	100	70 000
SFW Holdings Limited	Investment company	100	200
Stellenbosch Farmers Winery Limited	Dormant	100	7
Other			
Henry C Collison & Sons Limited (United Kingdom)		100	82 792

Notes:

- Information is only disclosed in respect of those subsidiaries of which the financial position or results are significant.
- All subsidiaries are incorporated in South Africa, unless otherwise stated.
- Cumulative arrear dividends relating to the preference shares in Distell Beverages (previously known as WIPHOLD Beverages) on 30 June 2016 amounted to R872 million (2015: R782 million). The preference shares have a dividend rate of CPI (excluding owner's equivalent rent) plus 7%.

39. INTEREST IN UNLISTED ASSOCIATES

The Group's interest in associates is as follows:

Nature of the business			
Tanzania Distilleries Limited (Tanzania) (35%)	Manufacturer and distributor	91 046	91 866
Cost price		13 352	13 352
Equity-accounted retained earnings		77 694	78 514
Grays Inc. Limited (Mauritius) (26%)	Distributor	32 994	28 806
Cost price		6 949	6 949
Equity-accounted retained earnings		26 045	21 857
Papkuilsfontein Vineyards Proprietary Limited (49%)	Farming	361	340
Cost price		–	–
Equity-accounted retained earnings		361	340
KWA Holdings E.A. Limited (Kenya) (26%)	Manufacturer and distributor	112 848	112 673
Cost price		111 282	111 282
Equity-accounted retained earnings		1 566	1 391
Investments in associates		237 249	233 685
Share in net assets of associates		181 569	178 005
Goodwill		55 680	55 680
		237 249	233 685

The aggregate statements of financial position of associates are summarised as follows:

	Tanzania Distilleries Limited	KWA Holdings E.A. Limited	Other	2016 Total	2015 Total
Property, plant and equipment	172 319	149 391	44 728	366 438	299 205
Financial and intangible assets	–	13 973	23 945	37 918	31 627
Current assets	756 262	216 044	303 975	1 276 281	608 877
Total assets	928 581	379 408	372 648	1 680 637	939 709
Interest-free liabilities	739 820	82 691	79 316	901 827	21 358
Interest-bearing liabilities	170	–	143 436	143 606	361 803
Total liabilities	739 990	82 691	222 752	1 045 433	383 161
Equity	188 591	296 717	149 896	635 204	556 548
Non-controlling interest	(104 123)	(230 473)	(119 039)	(453 635)	(378 543)
Group's share in equity	84 468	66 244	30 857	181 569	178 005
Loans to associates	–	–	14 392	14 392	14 748
Group's share in net assets of associates	84 468	66 244	45 249	195 961	192 753
Tanzania Distilleries Limited (35%)				84 468	85 288
Grays Inc. Limited (26%)				30 496	26 308
Papkuilsfontein Vineyards Proprietary Limited (49%)				361	340
KWA Holdings (E.A.) Limited (26%)				66 244	66 069
				181 569	178 005

	Tanzania Distilleries Limited	KWA Holdings E.A. Limited	Other	2016 Total	2015 Total
The Group's interest in the revenue and profit of the associates is as follows:					
Revenue	443 609	162 926	202 130	808 665	593 763
Profit for the year	40 057	151	10 382	50 590	65 280

Notes:

1. All associates are incorporated in South Africa, unless otherwise stated.
2. The statutory year-ends of Tanzania Distilleries Limited (31 March) and Grays Inc. Limited (31 December) are different to those of the rest of the Group. The associates are equity accounted using management prepared information on a basis coterminous with the Group's accounting reference date.

40. INTEREST IN JOINT VENTURES

	Nature of the business	2016 R'000	2015 R'000
Afdis Holdings (Private) Limited (Zimbabwe) (50%)	Manufacturer and distributor	65 273	61 308
Cost price		23 938	23 938
Equity-accounted retained earnings		41 335	37 370
Les Domaines de Mauricia Limitee (Mauritius) (50%)	Distributor	168	168
Cost price		20	20
Equity-accounted retained earnings		148	148
LUSAN Holdings Proprietary Limited (50%)	Manufacturer and distributor	96 970	89 337
Cost price		1	1
Equity-accounted retained earnings		96 969	89 336
Solamoyo Processing Company Proprietary Limited (40%)	Effluent management	(157)	(171)
Cost price		-	-
Equity-accounted retained earnings		(157)	(171)
TD Spirits LLC (USA) (50%)	Distributor	41 774	-
Cost price		48 380	-
Equity-accounted retained earnings		(6 606)	-
Tonnellerie Radoux (SA) Proprietary Limited (50%)	Manufacturer and distributor of maturation vats	9 971	9 781
Cost price		220	220
Equity-accounted retained earnings		9 751	9 561
Investments in joint ventures		213 999	160 423

The Group's interest in joint ventures is as follows:

The aggregate statements of financial position of joint ventures are summarised as follows:

	LUSAN Holdings Proprietary Limited	Afdis Holdings (Private) Limited	Other	2016 Total	2015 Total
Non-current assets					
Property, plant and equipment	268 887	150 274	10 615	429 776	443 248
Biological assets	30 197	–	1	30 198	31 358
Intangible assets	2 026	–	–	2 026	3 067
Deferred income tax assets	24 716	–	226	24 942	12 257
Long-term loans and investments	43 718	7 150	–	50 868	8 443
Current assets					
Inventories	120 722	75 946	85 974	282 642	197 886
Trade and other receivables	8 460	52 772	26 817	88 049	81 408
Current income tax assets	386	–	460	846	362
Financial assets	–	–	10 211	10 211	6 053
Cash and cash equivalents	58 304	37 853	97 501	193 658	61 495
Total assets	557 416	323 995	231 805	1 113 216	845 577
Non-current liabilities					
Shareholders' loan	309 509	–	416	309 925	162 171
Borrowings	–	–	47 339	47 339	9 626
Deferred income taxation liabilities	16 409	17 807	–	34 216	10 912
Current liabilities					
Bank overdrafts and borrowings	37 076	–	2 129	39 205	57 839
Trade payables and provisions	11 570	55 483	71 606	138 659	64 912
Current income tax liability	–	6 300	19	6 319	12 743
Total liabilities	374 564	79 590	121 509	575 663	318 203
Equity	182 852	244 405	110 296	537 553	527 374
Non-controlling interest	(85 882)	(179 132)	(58 540)	(323 554)	(366 951)
Group's share in equity	96 970	65 273	51 756	213 999	160 423
Loans to joint ventures	154 754	–	417	155 171	162 171
Group's share in net assets of joint ventures	251 724	65 273	52 173	369 170	322 594
The revenue and profit of the joint ventures are as follows:					
Revenue	98 736	314 220	52 839	465 795	425 444
Profit for the year	14 501	26 447	(2 732)	38 216	52 461

Notes:

1. All joint ventures are incorporated in South Africa, unless otherwise stated.
2. There are no contingent liabilities relating to the Group's interest in the joint ventures and no contingent liabilities of the ventures itself.

41. ANALYSIS OF SHAREHOLDERS

At 30 June 2016

DISTRIBUTION OF SHAREHOLDERS	Number of holders	% of holders	Number of ordinary shares	% of issued shares
Public shareholders	6 082	99.83	43 141 856	19.42
Non-public shareholders	10	0.17	178 967 500	80.58
Major beneficial shareholders	2	0.03	176 022 000	79.25
Directors, including those of subsidiaries, and their associates	5	0.08	45 252	0.02
The Distell Group Share Trust	1	0.02	48 480	0.02
Distell Share Appreciation Right Scheme (SAR Scheme)	1	0.02	199 822	0.09
Distell Beverages (RF) Proprietary Limited	1	0.02	2 651 946	1.20
	6 092	100.00	222 109 356	100.00
NUMBER OF SHARES IN ISSUE			2016	2015
Total number of shares in issue			222 109 356	221 737 356
Shares accounted for as treasury shares				
The Distell Group Share Trust and SAR Scheme			(248 302)	(275 173)
Distell Beverages (RF) Proprietary Limited			(2 651 946)	(2 651 946)
			219 209 108	218 810 237
WEIGHTED NUMBER OF SHARES			219 037 582	218 621 282
MAJOR BENEFICIAL SHAREHOLDERS				
The following shareholders have a holding of greater than 5% of the issued shares of the company:				
			Number of shares	% of total
Remgro-Capevin Investments Proprietary Limited			117 348 000	52.8
Other Beverage Interests Proprietary Limited (SABMiller)			58 674 000	26.4

CAPEVIN HOLDINGS LIMITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

These annual financial statements were compiled by the Company's appointed manager, Remgro Management Services Ltd, under the supervision of the Financial Director, P R Louw, CA(SA), and were audited by the Group's external auditor, PricewaterhouseCoopers Inc. These annual financial statements should be read in conjunction with Capevin Holdings Ltd's ("Capevin") annual report, which is available on Capevin's website (www.capevin.com) or may be requested and obtained in person, at no charge, at the registered office of Capevin Holdings Limited during office hours.

COMPANY INFORMATION

Directors	C A Otto (Chairman) A E v Z Botha J J Durand R M Jansen P R Louw E G Matenge-Sebesho
Registration number	1997/020857/06
Registered address	Millennia Park 16 Stellentia Avenue Stellenbosch 7600
Postal address	P O Box 456 Stellenbosch 7599
Auditor	PricewaterhouseCoopers Inc. Stellenbosch
Secretary	Remgro Management Services Ltd

REPORT OF THE AUDIT AND RISK COMMITTEE

The Capevin Holdings Ltd Audit and Risk Committee ("the committee") at the date of this report comprises Messrs R M Jansen (Chairman), A E v Z Botha and C A Otto. All the members are independent non-executive directors. The committee met as set out below during the past year and the meetings are open for all the directors to attend. The meetings held during the year were attended as follows:

Member	12 September 2016	8 March 2017
R M Jansen (Chairman)	√	√
A E v Z Botha	√	√
C A Otto	√	√
√ Present		

The committee reports that it has considered and is satisfied with the independence and objectivity of the external auditor, PricewaterhouseCoopers Inc. The committee has considered and recommended the fees payable to the external auditor and is satisfied with the extent of non-audit related services performed.

The committee has satisfied itself that the financial function, including the financial director, has the appropriate expertise, experience and resources, and is satisfied that the internal financial controls of the Company are working effectively.

Based on the information and explanations given by management and discussions with the independent external auditor regarding the results of their audit, the committee is satisfied that there was no material breakdown in the internal financial controls during the financial year under review.

A board-approved Audit and Risk committee charter stipulating, *inter alia*, the committee's composition, duties and responsibilities, has been adopted. The committee is satisfied that it complied with the responsibilities as set out in the Audit and Risk Committee charter as well as relevant legal and regulatory responsibilities.

The committee has evaluated the separate and group annual financial statements of Capevin Holdings Ltd for the year ended 30 June 2017 and, based on the information provided to the committee, considers that the Group complies, in all material respects, with the requirements of the Companies Act (No. 71 of 2008), as amended, and International Financial Reporting Standards.

R M Jansen

Chairman

Stellenbosch

13 September 2017

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2017

The directors are responsible for the maintenance of adequate accounting records and to prepare annual financial statements that fairly represent the state of affairs and the results of the Group. The external auditor is responsible for independently auditing and reporting on the fair presentation of these annual financial statements. Management fulfils this responsibility primarily by establishing and maintaining accounting systems and practices adequately supported by internal financial controls. Such controls provide assurance that the Group's assets are safeguarded, that transactions are executed in accordance with management's authorisations and that the financial records are reliable. The annual financial statements are prepared in accordance with International Financial Reporting Standards and incorporate full and reasonable disclosure. Appropriate and recognised accounting policies are consistently applied.

The Audit and Risk Committee of the Group meets regularly with the external auditor, as well as administrative management, to evaluate matters concerning accounting policies, internal control, auditing and financial reporting. The external auditor has unrestricted access to all records and personnel as well as the Audit and Risk Committee.

The financial statements are prepared on the going concern basis, since the directors have every reason to believe that the Group has adequate resources to continue for the foreseeable future.

The Group's external auditors, PricewaterhouseCoopers Inc., audited the separate and group annual financial statements, and their report is presented on pages 7 to 11.

The financial statements set out on pages 12 to 19 were approved by the board of directors of Capevin Holdings Ltd and are signed on its behalf by:

C A Otto

Chairman

Stellenbosch

13 September 2017

P R Louw

Financial director

DECLARATION BY THE COMPANY SECRETARY
for the year ended 30 June 2017

We declare that, to the best of our knowledge, the Company has filed with the Companies and Intellectual Property Commission (CIPC) all such returns and notices as are required of a public company in terms of the Companies Act (No. 71 of 2008), as amended, and that all such returns and notices are true, correct and up to date.

Remgro Management Services Ltd

Company Secretary

(Per Mariza Lubbe)

Stellenbosch

13 September 2017

DIRECTORS' REPORT

for the year ended 30 June 2017

NATURE OF BUSINESS

The Company is an investment holding company which holds an indirect effective interest of 26.74% (2016: 26.77%) in Distell Group Ltd ("Distell"), which mainly manufactures, distributes and markets wine, spirits and alcoholic fruit beverages.

SHAREHOLDERS

Details regarding the Company's most significant shareholders are set out in Annexure 1 to these annual financial statements.

OPERATING RESULTS

The main asset of the Company is an indirect investment in Distell which is held through its joint venture, Remgro-Capevin Investments (Pty) Ltd. The equity method of accounting is therefore applied in the preparation of these group financial statements.

The financial position and results of operations are fully dealt with in the attached annual financial statements.

Distell reported that a significantly stronger rand impacted its results and that its headline earnings, excluding the impact of foreign exchange differences, have increased by 7.4% from R1 490.6 million to R1 600.2 million. Distell's reported headline earnings decreased by 3.6% from R1 610.6 million to R1 553.3 million. Consequently, Capevin's headline earnings decreased by 4.0% from R432.7 million to R415.4 million.

THE PROPOSED RESTRUCTURING OF DISTELL'S OWNERSHIP STRUCTURE

The investment in Distell is currently held through a multi-tiered ownership structure in which Capevin and Remgro Ltd each owns 50% in Remgro-Capevin Investments Proprietary Limited (RCI). RCI, in turn, holds a 52.8% (on a fully diluted basis) direct investment in Distell. The Board of Directors resolved to simplify the ownership structure through schemes of arrangement in terms of which a new entity, Distell Group Holdings Limited (DGHL) will effectively acquire RCI's and all other shareholders' direct and indirect interests in Distell in exchange for shares in DGHL. DGHL will be listed on the JSE limited, while Distell and CVH will be delisted. Refer to the SENS announcement of 22 June 2017 for more detail.

STATED CAPITAL

There were no movements in the Company's stated capital during the year under review.

DIRECTORS

The directors of the Company at the date of this report were:

- C A Otto (Chairman)*^
- A E v Z Botha^
- J J Durand*
- R M Jansen^
- E G Matenge-Sebesho*^
- P R Louw

** Also serves on Distell's board of directors*

^ Independent non-executive director

In terms of the provisions of the Memorandum of Incorporation, Mr R M Jansen and Ms E G Matenge-Sebesho retire from the Board by rotation. These directors are eligible and offer themselves for re-election.

DIRECTORS' EMOLUMENTS AND INTERESTS

Details are set out in note 12 to these annual financial statements.

DIVIDENDS

An interim dividend of 10.60 cents (2016: 11.40 cents) per share was declared on 8 March 2017 and paid on 24 April 2017.

The final dividend was determined at 13.60 cents (2016: 14.20 cents) per share. The total dividend for the year therefore amounts to 24.20 cents (2016: 25.60 cents).

In terms of the Company's Memorandum of Incorporation, the Board declared all dividends that are not claimed by shareholders after a three-year period forfeited, in terms of the applicable prescription laws.

DECLARATION OF CASH DIVIDEND

In terms of the dividend policy of Capevin Holdings, dividends received from its indirect interest in Distell, after providing for administrative expenses, will be distributed to shareholders. The directors have consequently resolved to approve and declare a final gross cash dividend (dividend number 26) of 13.60 cents (2016: 14.20 cents) per share for the year ended 30 June 2017. The dividend has been declared from income reserves.

A dividend withholding tax of 20% or 2.7200 cents per share will be applicable, resulting in a net dividend of 10.88 cents per share, unless the shareholder concerned is exempt from paying dividend withholding tax or is entitled to a reduced rate in terms of an applicable double-tax agreement.

The number of issued ordinary shares as at 13 September 2017 is 880 103 265. The Company's income tax number is 9599/656/71/8.

Payment

The final dividend is payable on Monday, 9 October 2017, to shareholders of the Company registered at the close of business on Friday, 6 October 2017.

Share certificates may not be dematerialised or rematerialised between Wednesday, 4 October 2017, and Friday, 6 October 2017, both days inclusive. In terms of the Company's Memorandum of Incorporation, dividends will only be transferred electronically to the bank accounts of shareholders, while dividend cheques are no longer issued. In the instance where shareholders do not provide the Transfer Secretaries with their banking details, the dividend will not be forfeited but will be marked as "unclaimed" in the share register until the shareholder provides the Transfer Secretaries with the relevant banking details for pay out.

EVENTS AFTER THE REPORTING DATE

Refer to note 14 for information pertaining events after the reporting date.

SECRETARY

The secretary of the Company is Remgro Management Services Ltd. Its business and postal addresses are set out below:

Business address

Millennia Park
16 Stellantia Avenue
Stellenbosch
7600

Postal address

PO Box 456
Stellenbosch
7599

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Capevin Holdings Limited

REPORT ON THE AUDIT OF THE ECONOMIC INTEREST AND SEPARATE FINANCIAL STATEMENTS

OUR OPINION

In our opinion, the economic interest and separate financial statements present fairly, in all material respects, the economic interest and separate financial position of Capevin Holdings Limited (the Company) and its joint venture (together the Group as defined in note 1.1 to the financial statements) as at 30 June 2017, and its economic interest and separate financial performance and its economic interest and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Capevin Holdings Limited's economic interest and separate financial statements set out on pages 12 to 29 comprise:

- the group and company statements of financial position as at 30 June 2017;
- the group and company statements of comprehensive income for the year then ended;
- the group and company statements of changes in equity for the year then ended;
- the group and company statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the economic interest and separate financial statements* section of our report.

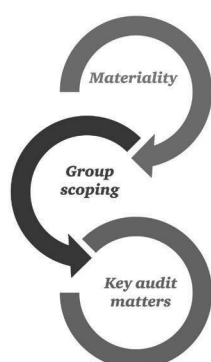
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the *Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B).

OUR AUDIT APPROACH

Overview



Overall group materiality

- R20.6 million, which represents 5%.

Group audit scope

- Full scope audits were performed for the Company and the equity accounted results of its joint venture.

Key Audit Matters

- Equity accounting of indirect investment in Distell Group Limited.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the economic interest and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the economic interest financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the economic interest financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

<i>Overall group materiality</i>	R20.6 million
<i>How we determined it</i>	5% of profit before taxation adjusted for once-off items
<i>Rationale for the materiality benchmark applied</i>	<p>We chose profit before taxation as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and it is a generally accepted benchmark. Profit before taxation was adjusted to exclude the once-off items as disclosed in note 11 to the financial statements. In our view excluding these items provides a more consistent basis for the determination of materiality as it reflects recurring profits.</p> <p>We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.</p>

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the economic interest financial statements as a whole, taking into account the structure of the Group, nature of its business as an investment holding company, and the accounting processes and controls.

The Company is an investment holding company which holds an indirect investment in Distell Group Limited which is held through its joint venture, Remgro-Capevin Investments Proprietary Limited. The economic interest financial statements mainly consist of the equity accounted results of Distell Group Limited. Full scope audits were performed on the results of the Company and the equity accounted results of Distell Group Limited. The results of Distell Group Limited were audited by a PwC component auditor, audit instructions were communicated to the component auditor. The audit instructions covered those areas that we required the component auditor to focus on, as well as information that we required them to report to us. We examined the reporting received from the component auditor and assessed the impact thereof on the economic interest financial statements. We reviewed the component auditor's working papers relating to areas of significant risks in the economic interest financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the economic interest and separate financial statements of the current period. These matters were addressed in the context of our audit of the economic interest and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Economic interest financial statements

Key audit matter	How our audit addressed the key audit matter
Equity accounting of indirect investment in Distell Group Limited	
<p>The Company holds an indirect investment in Distell Group Limited which is accounted for in terms of IAS 28, “Investments in associates and joint ventures”. The Company’s share of the after tax profits of Distell Group Limited (Distell) for the year ended 30 June 2017 was R347 127 000 and the Company’s share of the Distell’s net assets was R2 819 439 000 as at 30 June 2017.</p> <p>Equity accounting for this investment was a matter of most significance to the audit due to:</p> <ul style="list-style-type: none">• The significant contribution of the equity accounted investment to the results of the Group, as defined in note 1.1 to the financial statements.• The judgement applied by management during the impairment assessment of goodwill and intangible assets at a Distell level, in the context of our audit of the economic interest financial statements. <p>For further information, refer to note 1.2 (accounting policy) and note 2 (financial statements).</p>	<p>We obtained equity accounted results and movements recorded in the economic interest financial statements and agreed them to the audited financial results of Distell.</p> <p>We compared the accounting policies of Distell Group Limited to that of the Capevin Holdings Limited to test the consistency of the accounting policies and compliance with IFRS.</p> <p>We re-performed the calculation of the effective interest in Distell Group Limited by agreeing the calculation to the number of shares held and the issued share capital of Distell Group Limited. We re-performed management’s calculations of the Capevin Holdings Limited share of the investee’s results to test that the equity accounted results are accurate, complete and in line with IFRS. No exceptions were noted.</p> <p>Due to the significant contribution of the equity accounted investment, we issued audit instructions to the component auditors of Distell Group Limited as described in the section ‘How we tailored our group audit scope’. We assessed the competence, knowledge and experience of the component audit team, and examined the information reported by the component auditor to us and their working papers on significant risks to assess the adequacy of the procedures performed to support our audit opinion.</p> <p>We discussed and evaluated the impact of the key audit matters relating to Distell Group Limited on the economic interest financial statements. The key audit matter relating to the impairment of goodwill and intangible assets of Distell Group Limited was considered to be of significance to the economic interest’s results based on the magnitude and the management judgement applied at a Distell level. The following procedures were performed by the component auditor in respect to the matter:</p> <ul style="list-style-type: none">– Utilising their valuation experts they evaluated the valuation methodologies used by management in determining the recoverable amount of the underlying cash generating units and assessed the reasonableness of assumptions used by management regarding the discount rate and long term growth rate.– Assessed the projected future cash flows, operating margins and working capital requirements used in management’s calculations.– Performed independent sensitivity calculations on the impairment assessments.

Separate financial statements

We have determined that there are no key audit matters in respect of the separate financial statements.

Other information

The directors are responsible for the other information. The other information comprises the Capevin Holdings Limited Annual Financial Statements which includes the Declaration by the Company Secretary, Report of the Audit and Risk Committee, Director’s Report as required by the Companies Act of South Africa, and the Capevin Holdings Limited Annual Report, which we obtained prior to the date of this auditor’s report. Other information does not include the economic interest and separate financial statements and our auditor’s report thereon.

Our opinion on the economic interest and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the economic interest and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the economic interest and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the economic and separate financial statements

The directors are responsible for the preparation and fair presentation of the economic interest and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of economic interest and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the economic interest and separate financial statements, the directors are responsible for assessing the Economic interest entity and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Economic interest entity and/or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the economic interest and separate financial statements

Our objectives are to obtain reasonable assurance about whether the economic interest and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these economic interest and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the economic interest and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Economic interest entity's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Economic interest entity's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the economic interest and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Economic interest entity and/or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the economic interest and separate financial statements, including the disclosures, and whether the economic interest and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Economic interest entity to express an opinion on the economic interest financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the economic interest and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Capevin Holdings Limited for 21 years.

PricewaterhouseCoopers Inc.

Director: A Wentzel

Registered Auditor

Stellenbosch

13 September 2017

CAPEVIN HOLDINGS LIMITED
STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2017

		Group		Company	
	Notes	2017 R'000	2016 R'000	2017 R'000	2016 R'000
ASSETS					
Non-current assets					
Investment in joint venture	2	2 819 439	2 852 443	2 621 191	2 621 191
Current assets					
Cash and cash equivalents	4	23 364	15 871	23 364	15 871
Total assets		2 842 803	2 868 314	2 644 555	2 637 062
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Stated capital	5	2 492 046	2 492 046	2 492 046	2 492 046
Retained earnings		21 860	18 099	136 667	132 906
Other reserves		(2 464 384)	(2 464 384)	–	–
Equity reserve		2 777 439	2 810 443	–	–
Total equity		2 826 961	2 856 204	2 628 713	2 624 952
Current liabilities					
		15 842	12 110	15 842	12 110
Trade payables		382	268	382	268
Unclaimed dividends		15 442	11 800	15 442	11 800
Current income tax liability		18	42	18	42
Total liabilities		15 842	12 110	15 842	12 110
Total equity and liabilities		2 842 803	2 868 314	2 644 555	2 637 062

CAPEVIN HOLDINGS LIMITED
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017

	Notes	Group		Company	
		2017 R'000	2016 R'000	2017 R'000	2016 R'000
Share of profit of joint venture		347 127	410 662	-	-
Loss on dilution of interest in joint venture		(1 619)	(2 527)	-	-
Investment income	7	1 831	1 452	224 205	208 571
Profit on sale of investment		-	1 650	-	1 650
Unclaimed dividends forfeited		1 265	1 252	1 265	1 252
Administrative expenses	8	(2 930)	(2 162)	(2 930)	(2 162)
Profit before taxation		345 674	410 327	222 540	209 311
Taxation	9	(513)	(496)	(513)	(496)
Profit for the year		345 161	409 831	222 027	208 815
Other comprehensive income		(156 138)	92 615	-	(1 465)
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Fair value adjustment – available-for-sale asset		-	(150)	-	(150)
Tax charge relating to available-for-sale asset		-	28	-	28
Reclassified to profit or loss		-	(1 343)	-	(1 343)
Share of other comprehensive income of joint venture					
Fair value adjustment – available-for-sale asset		(715)	(4 630)	-	-
Fair value adjustment – cash flow hedges		(2 439)	-	-	-
Currency translation differences		(151 622)	65 244	-	-
Reclassified to profit or loss		(946)	(754)	-	-
<i>Items that will not be reclassified to profit or loss:</i>					
Share of joint venture's remeasurements of post-employment benefits		11 685	22 092	-	-
Other equity movements of joint venture		(12 101)	12 128	-	-
Total comprehensive income for the year		189 023	502 446	222 027	207 350
Profit attributable to:					
Owners of the parent		345 161	409 831		
Total comprehensive income attributable to:					
Owners of the parent		189 023	502 446		
Earnings per share (cents)	11				
Basic		39.2	46.6		
Diluted		39.2	46.4		

CAPEVIN HOLDINGS LIMITED
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

	Stated capital R'000	Retained earnings R'000	Equity reserve R'000	Other reserves R'000	Total R'000
GROUP					
Balance at 1 July 2015	2 492 046	1 539	2 515 347	(2 462 872)	2 546 060
Profit for the year	–	409 831	–	–	409 831
Other comprehensive income, net of tax	–	47	94 080	(1 512)	92 615
Share of other comprehensive income of joint venture	–	–	82 706	–	82 706
Other equity movements of joint venture	–	–	12 128	–	12 128
Fair value adjustment – available-for-sale asset, net of tax	–	–	–	(122)	(122)
Reclassified to profit or loss	–	47	(754)	(1 390)	(2 097)
Total comprehensive income	–	409 878	94 080	(1 512)	502 446
Transactions with owners	–	(393 318)	201 016	–	(192 302)
Net transfer between reserves	–	(201 016)	201 016	–	–
Dividends paid	–	(192 302)	–	–	(192 302)
Balance at 30 June 2016	2 492 046	18 099	2 810 443	(2 464 384)	2 856 204
Profit for the year	–	345 161	–	–	345 161
Other comprehensive income, net of tax	–	–	(156 138)	–	(156 138)
Share of other comprehensive income of joint venture	–	–	(143 091)	–	(143 091)
Other equity movements of joint venture	–	–	(12 101)	–	(12 101)
Reclassified to profit or loss	–	–	(946)	–	(946)
Total comprehensive income	–	345 161	(156 138)	–	189 023
Transactions with owners	–	(341 400)	123 134	–	(218 266)
Net transfer between reserves	–	(123 134)	123 134	–	–
Dividends paid	–	(218 266)	–	–	(218 266)
Balance at 30 June 2017	2 492 046	21 860	2 777 439	(2 464 384)	2 826 961

	Stated capital R'000	Retained earnings R'000	Other reserves R'000	Total R'000
COMPANY				
Balance at 1 July 2015	2 492 046	116 346	1 512	2 609 904
Total comprehensive income	–	208 862	(1 512)	207 350
Profit for the year	–	208 815	–	208 815
Other comprehensive income, net of tax	–	–	(122)	(122)
Transfer to profit or loss	–	47	(1 390)	(1 343)
Transactions with owners				
Dividends paid	–	(192 302)	–	(192 302)
Balance at 30 June 2016	2 492 046	132 906	–	2 624 952
Total comprehensive income	–	222 027	–	222 027
Dividends paid	–	(218 266)	–	(218 266)
Balance at 30 June 2017	2 492 046	136 667	–	2 628 713

Dividend per share

Interim: 10.6 cents (2016: 11.4 cents) – declared 8 March 2017 and paid 24 April 2017

Final: 13.6 cents (2016: 14.2 cents) – declared 13 September 2017 and payable 9 October 2017

CAPEVIN HOLDINGS LIMITED
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017

		GROUP		COMPANY	
		2017	2016	2017	2016
	Notes	R'000	R'000	R'000	R'000
Cash flows from operating activities					
Dividends received	10.1	222 374	207 129	222 374	207 129
Dividends paid		(218 266)	(192 302)	(218 266)	(192 302)
Interest received		1 831	1 442	1 831	1 442
Administrative expenses	8	(2 930)	(2 162)	(2 930)	(2 162)
Taxation paid	10.2	(537)	(491)	(537)	(491)
Increase/(decrease) in trade and other payables and unclaimed dividends		5 021	(4 237)	5 021	(4 237)
		7 493	9 379	7 493	9 379
Cash flows from investing activities					
Proceeds from disposal of investment		–	1 650	–	1 650
Net increase in cash and cash equivalents		7 493	11 029	7 493	11 029
Cash and cash equivalents at beginning of the year		15 871	4 842	15 871	4 842
Cash and cash equivalents at end of the year	4	23 364	15 871	23 364	15 871

CAPEVIN HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

1. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these annual financial statements are set out below and are consistent with those of the prior year. The following amendments to IFRS were implemented during the year under review:

- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 16: Property, plant and equipment and IAS 41: Agriculture: Bearer Plants.

The implementation of these amended accounting standards did not have a significant impact on the Group's results for the year. The comparative information was not restated for the change in accounting policy, as the effect of the amendments were immaterial to the financial statements.

1.1 Basis of preparation

The annual financial statements are prepared on the historical cost basis, unless otherwise indicated, in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations applicable to companies reporting under IFRS, the requirements of the Companies Act (No. 71 of 2008), as amended, the Listings Requirements of the JSE Limited and the SAICA Financial Reporting Guides issued by the Accounting Practices Committee.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Management has made no significant estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. However, critical estimates and judgements are applicable to Distell's results (refer note 1.2).

Economic interest financial statements

As Capevin Holdings Ltd does not have any investments in subsidiaries as of 2013, but only an investment in a joint venture, the Company prepares 'economic interest' financial statements in which its investment is equity accounted. These 'economic interest' financial statements are referred to as 'Group'.

1.2 Equity accounting – joint ventures

Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. Capevin Holdings has assessed the nature of its joint arrangement and determined it to be a joint venture. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's share of post-acquisition profit and loss is recognised in profit and loss, and its share of post-acquisition movements in other comprehensive income and other equity movements are assessed based on the substance of the transaction and accounted for accordingly, with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures. Dividends received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment.

Unrealised gains on transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in the joint venture. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint venture have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in joint ventures are recognised in profit or loss.

Where equity securities are transferred to investment in joint ventures upon gaining joint control ("step acquisition"), the investment is transferred at its fair value with the resulting gain or loss, as well as any acquisition-related costs, recognised in profit or loss. Goodwill is calculated at each stage of step acquisitions. If the ownership interest in a joint venture is reduced but joint control is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

After applying the equity method, investments in joint ventures are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Investments in joint ventures are carried at cost less accumulated impairment losses in the Company's financial statements.

Interest-free loans to joint ventures with no specific terms of repayment are considered to be a capital contribution to the joint venture and are included in the carrying amount of the investment.

When the Company ceases to have joint control but retains a portion of the investment as a financial asset, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as a financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the investee had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Deferred taxation is provided at a rate of 0% on temporary differences relating to the investment in the joint venture as the investment is expected to be recovered through dividends, which is exempt from taxation.

Significant accounting policies of the joint venture

a) Inventories

Net realisable value is the estimated selling price in the ordinary course of business, less the applicable costs of completion and selling expenses. Costs of inventories include the transfer from equity of any gains/losses on qualifying cash flow hedges purchases of raw materials.

Significant estimates and judgements of the joint venture

The results of the joint venture, which are equity accounted in the group's financial statements, includes some significant estimates and judgements. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the joint venture's financial statements are the following:

a) Estimated impairment of goodwill and intangible assets

Distell tests annually whether goodwill and the intangible assets with indefinite useful lives have suffered any impairment. The recoverable amounts of cash-generating units are determined as being the higher of the value-in-use or fair value less costs to sell.

b) Income taxes

Distell is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. Distell recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax assets and liabilities in the period in which such determination is made.

c) Retirement benefits

The present value of the pension obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pension include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

Distell determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash flows expected to be required to settle the pension obligations. In determining the appropriate discount rate,

Distell considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

d) *Impairment of available-for-sale financial assets*

Distell follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, and operational and financing cash flow.

e) *Business combinations*

Where Distell acquires control of another business, the consideration transferred has to be allocated to the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquired business, with any residual recorded as goodwill. This process involves management making an assessment of the fair value of these items. Management's judgement is particularly involved in the recognition and measurement of the following items:

- Intellectual property. This include patents, licences, trademarks and similar rights for currently marketed products.
- Contingencies such as legal and environmental matters.
- The recoverability of any accumulated tax losses previously incurred by the acquired company.

In all cases management makes an assessment based on the underlying economic substance of the items concerned, and not only on the contractual terms, in order to fairly present these items.

f) *Property, plant and equipment*

It is necessary for Distell to make use of judgement when determining the useful life of property, plant and equipment (including bearer plants).

g) *Consolidation of entities where the Group holds less than 50%*

Distell is one of the two largest shareholders in Mirma Products Proprietary Limited with a 45% equity interest. The Group buys more than 98% of the total product produced by Mirma Products. There is no history of other shareholders forming a group to exercise their votes collectively. Based on the absolute size of the group's shareholding, as well as the business model of Mirma Products Proprietary Limited, management have concluded that the Group has sufficiently dominant interest to have the power to direct the relevant activities of the entity and therefore it is consolidated.

1.3 **Financial assets**

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group deposits money with financial institutions. They are included in current assets, except for maturities greater than twelve months after the reporting date which are classified as non-current assets. Loans and receivables in the statement of financial position consist of cash and cash equivalents, and are measured at amortised cost using the effective interest method, less provision for impairment. Interest on loans and receivables, calculated using the effective interest method is recognised in profit or loss as part of investment income.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of them within twelve months of the reporting date.

Recognition and measurement of financial assets

Purchases and sales of financial assets are recognised on trade date (the date on which the Group commits to purchase or sell the asset). Financial assets are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition. Financial assets are derecognised

when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets are subsequently carried at fair value. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in profit or loss as gains and losses from investment activities.

Dividends on available-for-sale equity instruments are recognised in profit or loss as part of investment income when the Group's right to receive payment is established.

The fair value of financial instruments traded in an organised financial market is measured at the applicable quoted prices. The fair value of the financial instruments that are not traded in an organised financial market is determined using a variety of methods and assumptions that are based on market conditions and risk existing at reporting date, including independent appraisals and discounted cash flow methods. Fair values represent an approximation of possible value, which may differ from the value that will finally be realised.

Impairment of financial assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit and loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

Loans and receivables are considered impaired if, and only if, there is objective evidence of impairment as a result of events that occurred after initial asset recognition (known as loss events) and these loss events have an adverse impact on the assets' estimated future cash flows that can be reliably measured. Objective evidence that loans and advances may be impaired, includes breach of contract, such as a default or delinquency in interest or principal payments. In this regard instalments past due date are considered in breach of contract. The amount of the impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Impairment losses are recognised in profit or loss, and reversed through profit or loss.

1.4 Cash and cash equivalents

Cash and cash equivalents consist of cash held at call with banks and other short-term highly liquid investments with maturities of three months or less.

1.5 Stated capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of any tax, from the proceeds.

1.6 Reserves

Equity reserve

The equity reserve comprises the Group's share of joint ventures' post-acquisition reserves.

Other reserves

Transactions with non-controlling interest reserve

The reserve comprises the difference between the proceeds from shares issued and the carrying value of non-controlling interest acquired in light of the scheme of arrangement during the 2013 financial year whereby the Company acquired the minority interest in its investment in Capevin Investments Ltd (CVI) by issuing ordinary shares. CVI was subsequently liquidated.

Available-for-sale reserve

Gains and losses from changes in the fair value of available-for-sale investments are recognised in other comprehensive income until the financial asset is disposed of.

1.7 Financial liabilities

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity. Financial liabilities are classified as current if it is payable within twelve months after the reporting date.

Trade payables and unclaimed dividends

Trade payables and unclaimed dividends are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.8 Taxation

Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Group's subsidiaries and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the group financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and joint ventures, except where the Group controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Dividend withholding tax

Dividend withholding tax is not levied on the Company but on the beneficial owner of the share and accordingly does not require recognition in profit or loss. Dividends tax withheld by the Company on dividends paid to its shareholders (who do not qualify for an exemption from dividends tax) and payable at the reporting date to the South African Revenue Service (where applicable) is included in trade and other payables in the statement of financial position.

1.9 Revenue recognition

Interest income is recognised according to the effective-interest method and dividends are recognised when the right to receive payment is established.

1.10 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the group's financial statements in the period in which the dividends are approved by the Company's Board of Directors.

1.11 Statement of cash flows

The statement of cash flows is prepared using the indirect method.

1.12 Segment report

Capevin Holdings Ltd is an investment holding company with its only significant investment being an effective interest in Distell Group Ltd. The directors have not identified any other segment to report on.

1.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.14 Changes in international financial reporting standards

Standards, interpretations and amendments to published standards that are not yet effective

The following standards are expected to have an impact on the group's results:

- IFRS 15: Revenue from Contracts with Customers (effective date – financial periods commencing on/after 1 January 2018)

Under IFRS 15: Revenue needs to be recognised at a point in time or over time depending on the performance obligations linked to separate elements of the contract with the customer. Distell's revenue consists mostly of sales of liquor products delivered to customers at the point of sale and does not have multiple element arrangements included in it. It is expected that the timing and measurement of the Group's revenue will not change due the implementation of IFRS 15. Distell's management still has to perform a detailed analysis of all revenue contracts to assess each individually.

- IFRS 16: Leases (effective date – financial periods commencing on/after 1 January 2019)

The new standard for leases, IFRS 16, requires a lessee to recognise a right-of-use asset and corresponding lease liability on the balance sheet for almost all lease contracts. Currently operating lease expenses are charged to the income statement on a straight line basis over the term of the lease. Distell leases various farming land, warehouses, machinery, equipment and vehicles under operating lease agreements. Its management still has to perform a detailed analysis of all lease contracts on an individual basis, but it is expected that as a minimum it will have to capitalise right-of-use assets of about R300 million. The remainder of Distell's lease expenses relates to short-term leases and low-value assets. Apart from the right-of-use asset and lease liability being recognised on the statement of financial position, the effect of the change in the standard would be a reduction in the operating lease expenses in the income statement, and an increase in depreciation charges (on the right-of-use asset) and finance cost (interest expense of the lease liability). The impact of these cannot be quantified at this stage.

The following amendments to IFRS are not expected to have an impact on the group's results:

- IFRS 9: Financial Instruments (effective date – financial periods commencing on/after 1 January 2018)
- IFRS 17: Insurance contracts (effective date – financial periods commencing on/after 1 January 2021)
- Amendments to IAS 7: Cash flow statements (effective date – financial periods commencing on/after 1 January 2017)
- Amendment to IAS 12: Income taxes (effective date – financial periods commencing on/after 1 January 2017)

	GROUP		COMPANY	
	2017	2016	2017	2016
	R'000	R'000	R'000	R'000

2. **INVESTMENT IN JOINT VENTURE**

Unlisted investment in Remgro-

Capevin Investments (Pty) Ltd – at cost

42 000	42 000	2 621 191	2 621 191
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The Group's investment comprises 50 ordinary shares of R1 each and an unsecured, interest-free loan with no specific terms of repayment. The investment ultimately represents a shareholding of 26.74% (2016: 26.77%) in Distell Group Ltd.

Interest in post-acquisition reserves	2 777 439	2 810 443
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Balance at the beginning of the year	2 810 443	2 515 347
--------------------------------------	------------------	-----------

Share of profit of joint venture	347 127	410 662
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Dividend received	(222 374)	(207 119)
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Dilution of interest	(2 565)	(3 281)
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Other comprehensive income	(155 192)	94 834
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Carrying value	2 819 439	2 852 443	2 621 191	2 621 191
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Set out below is Distell's summarised financial information, as well as a reconciliation of that information to the carrying amount of Remgro-Capevin Investments (which houses the investment).

Summarised statement of comprehensive income

Revenue	22 259 253	21 470 120
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Depreciation and amortisation	(439 422)	(371 697)
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Interest income	69 290	21 002
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Interest expense	(289 296)	(281 790)
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Profit before tax	1 913 289	2 156 376
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Taxation	(616 486)	(624 485)
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Profit after tax	1 296 803	1 531 891
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Attributable to non-controlling shareholders	175	95
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Attributable profit for the year	1 296 978	1 531 986
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Other comprehensive income attributable to shareholders	(536 869)	306 769
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Total comprehensive income attributable to shareholders	760 109	1 838 755
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Headline earnings	1 553 302	1 610 648
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	GROUP		COMPANY	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
2. INVESTMENT IN JOINT VENTURE (continued)				
Summarised statement of financial position				
Non-current assets	8 492 115	8 312 169		
Cash and cash equivalents	1 183 120	1 032 402		
Other current assets	10 810 972	10 597 320		
Total assets	20 486 207	19 941 891		
Non-controlling interest	(301 124)	(15 262)		
Non-current financial liabilities	(3 567 180)	(1 200 000)		
Other non-current liabilities	(953 851)	(750 938)		
Current financial liabilities (excluding trade and other payables and provisions)	(1 276 234)	(3 726 589)		
Other current liabilities	(3 845 692)	(3 592 105)		
Net assets	10 542 126	10 656 997		
Reconciliation to carrying value				
Capevin Holdings' effective interest	26.74%	26.77%		
Capevin Holdings' effective interest in net assets	2 819 439	2 852 443		
Carrying value at 30 June	2 819 439	2 852 443		
Fair value of investment based on the JSE Ltd closing price on 30 June	8 038 925	9 493 453		
3. AVAILABLE-FOR-SALE ASSET				
Unlisted investments – Historical Homes of South Africa Ltd	–	–	–	–
Balance at the beginning of the year	–	1 800	–	1 800
Fair value adjustment for the year	–	(150)	–	(150)
Disposal	–	(1 650)	–	(1 650)
Balance at the end of the year	–	–	–	–
The investment in Historical Homes of South Africa Ltd was disposed of during the prior year.				
4. CASH AND CASH EQUIVALENTS				
Cash at bank	23 364	15 871	23 364	15 871
The carrying amount of cash and cash equivalents approximates the fair value thereof.				
5. STATED CAPITAL				
Authorised				
2 000 000 000 ordinary shares of no par value				
Issued				
880 103 265 ordinary shares of no par value	2 492 046	2 492 046	2 492 046	2 492 046

		GROUP		COMPANY	
		2017	2016	2017	2016
		R'000	R'000	R'000	R'000
6.	DEFERRED TAXATION				
	The movements on the deferred income tax account were as follows:				
	Balance at beginning of the year	–	335	–	335
	Accounted for in other comprehensive income	–	(28)	–	(28)
	Realised on disposal of investment	–	(307)	–	(307)
		–	–	–	–
	Deferred tax on available for sale assets was provided using the capital gains tax rate. Deferred taxation is provided at a rate of 0% on temporary differences relating to the investment in the joint venture as the investment is expected to be recovered through dividends, which is exempt from taxation.				
7.	INVESTMENT INCOME				
	Dividend income				
	Dividends received from Remgro-Capevin Investments (Pty) Ltd	–	–	222 374	207 119
	Dividends received from available-for-sale financial asset	–	10	–	10
	Interest income				
	Cash and cash equivalents	1 831	1 442	1 831	1 442
		1 831	1 452	224 205	208 571
8.	ADMINISTRATIVE EXPENSES				
	Auditor's remuneration (audit services)	193	178	193	178
	Current year	188	174	188	174
	Prior year under-provision	5	4	5	4
	Directors' emoluments	239	136	239	136
	Professional fees	215	53	215	53
	Other administrative expenses	2 283	1 795	2 283	1 795
		2 930	2 162	2 930	2 162

	GROUP		COMPANY	
	2017	2016	2017	2016
	R'000	R'000	R'000	R'000
<hr/>				
9. TAXATION				
South African normal tax				
Current year	513	496	513	496
<hr/>				
Tax rate reconciliation:	%	%	%	%
Standard rate for companies	28.00	28.00	28.00	28.00
Share of profit of joint venture	(27.99)	(27.85)	–	–
Exempt dividend income	–	–	(27.98)	(27.71)
Dividends forfeited	(0.10)	(0.09)	(0.16)	(0.17)
Non-deductible expenses	0.24	0.15	0.37	0.30
Non-taxable portion of capital profit on disposal of investment	–	(0.09)	–	(0.18)
Effective tax rate	0.15	0.12	0.23	0.24
<hr/>				
10. CASH FLOW INFORMATION				
10.1 Dividends received				
Dividends accounted for in investment income	–	10	222 374	207 129
Dividends from joint venture set off against investment	222 374	207 119	–	–
	222 374	207 129	222 374	207 129
<hr/>				
10.2 Taxation paid				
Unpaid at the beginning of the year	42	37	42	37
Per profit or loss	513	496	513	496
Unpaid at end of the year	(18)	(42)	(18)	(42)
	537	491	537	491
<hr/>				

		GROUP	
		2017	2016
		R'000	R'000
11.	EARNINGS PER SHARE		
	The calculation of earnings per share is based on the following:		
	Earnings attributable to ordinary shareholders	345 161	409 831
	Headline earnings adjustable items		
	Gain on disposal of investment	–	(1 650)
	Tax effect on gain of disposal of investment	–	92
	Loss on dilution of interest in joint venture	1 619	2 527
	Share of joint venture's adjustments		
	Impairment of property, plant and equipment*	84 120	–
	(Profit)/loss on sale of property, plant and equipment	(19 058)	491
	Taxation relating to sale of property, plant and equipment	3 522	(91)
	Impairment of intangible asset*	–	21 463
	Headline earnings	415 364	432 663
* The impairments relate to Distell's investments in the Bisquit cognac entity, a British wine broking company and the industrial property rights held by one of Distell's Angolan subsidiaries.			
	Weighted number of shares in issue ('000)	880 103	880 103
	Earnings per share (cents)		
	– Basic	39.2	46.6
	– Diluted	39.2	46.4
	Headline earnings per share (HEPS) (cents)		
	– Basic	47.2	49.2
	– Diluted	47.1	49.0

The weighted number of shares was used to determine all basic and diluted per share earnings measures. Distell has a management share incentive scheme in place in terms of which shares will be delivered to scheme participants. As the fair value of the shares at the date of delivery will differ from the offer value, the number of shares represented by the difference will be regarded as an issue of ordinary shares for no consideration. Accordingly, the issue of these shares will have a dilutive effect on the Company's earnings.

12. RELATED PARTY TRANSACTIONS

During the year the Group received dividends from Remgro-Capevin Investments (Pty) Ltd (a joint venture) of R222 374 460 (2016: R207 119 220) and paid administrative fees of R1 049 135 (2016: R980 500) to Remgro Management Services Ltd (a subsidiary of an investor with significant influence over the Group). During the prior year, the Group also disposed of its investment in Historical Homes of South Africa Ltd to Eikenlust (Pty) Ltd (a subsidiary of an investor with significant influence over the Group) for a total amount of R1 650 000.

Directors' emoluments

The directors received the following fees for services as directors:

Director (Rands)	2017	2016
A E v Z Botha	53 100	37 200
R M Jansen	66 400	37 200
E G Matenge-Sebesho	53 200	24 800
C A Otto	66 400	37 200
	239 100	136 400

R93 100 of the fees paid for the year ended 30 June 2017 relates to the duties fulfilled by the independent Board as part of the simplification of the multi-tiered ownership structure of Distell.

Directors' interests

No director (or associate of any of the directors), holds an interest in the securities of the company.

There has been no change in the interests of the directors in the securities of the Company from the reporting date up to the approval of the annual financial statements.

13. FINANCIAL RISK MANAGEMENT

The financial instruments in the statement of financial position on 30 June 2017 are limited to cash and cash equivalents, trade payables and unclaimed dividends.

Cash and cash equivalents are classified as loans and receivables and trade payables and unclaimed dividends are classified as liabilities measured at amortised cost, which approximates the items' fair value.

The Group and Company's operations expose it to negligible levels of credit, interest rate and price risk, and no currency risk.

Credit risk relates to bank balances held with financial institutions. The risk is limited as a result of the high credit rating (Baa3) of the financial institutions.

Interest rate risk relates only to the bank balances and any change in interest rates will not have a significant effect on the Group and Company's results.

Price risk related only to the investment in Historical Homes of South Africa Ltd, which was disposed of during the prior year.

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. The Group and Company's financial liabilities are all payable within twelve months from the reporting date.

Capital management

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders. The Group's dividend policy is to declare and pay dividends according to its free cash flow model, i.e. dividends and interest received less administrative expenses and taxation paid.

The Group's capital comprises total equity, as shown in the Group statement of financial position. When funding is required, the Group will either raise additional capital or utilise debt. There is no restriction on the level of gearing.

14. **EVENTS AFTER THE REPORTING DATE**

The investment in Distell is currently held through a multi-tiered ownership structure in which Capevin and Remgro Limited each owns 50% in Remgro-Capevin Investments Proprietary Limited (RCI). RCI, in turn, holds a 52.8% (on a fully diluted basis) direct investment in Distell. The board of directors resolved to simplify the ownership structure through schemes of arrangement in terms of which a new entity, Distell Group Holdings Limited (DGHL) will effectively acquire RCI and all other shareholders' direct and indirect interests in Distell in exchange for shares in DGHL. DGHL will be listed on the JSE limited, while Distell and Capevin will be delisted. Refer to the SENS announcement of 22 June 2017 for more detail.

During July 2017, Distell acquired 26% of the ordinary shares of Best Global Brands (BGB) for USD 54.6 million. It also entered into an agreement to acquire the remaining 74% of BGB's ordinary shares, which will become effective no earlier than the end of 2019 once certain operating hurdles are achieved and conditions precedent to closing are fulfilled or waived. BGB and Distell expect the transaction to generate significant synergies in the short to medium term, which will unlock further value for both parties.

SHAREHOLDERS' INFORMATION

Major beneficial shareholders

	30 June 2017		30 June 2016	
	%	Number of shares	%	Number of shares
Remgro International Holdings (Pty) Ltd	19.05	167 645 356	15.56	136 978 200
Government Employees Pension Fund (PIC)	12.05	106 100 342	11.92	104 899 156
Other	68.90	606 357 567	72.52	638 225 909
Total	100.00	880 103 265	100.00	880 103 265

No other shareholder held a beneficial interest of more than 5% in the ordinary shares of the Company on 30 June 2017.

	30 June 2017	30 June 2016	30 June 2015
Distribution of shareholders			
Ordinary shares			
<i>Public shareholders</i>	6 314	6 709	6 963
Percentage of shareholders	99.97	99.97	99.97
Number of shares	606 357 567	638 225 909	638 387 458
Percentage of shares issued	68.90	72.52	72.54
<i>Non-public shareholders</i>			
Shareholders holding more than 10%	2	2	2
Percentage of shareholders	0.03	0.03	0.03
Number of shares	273 745 698	241 877 356	241 715 807
Percentage of shares issued	31.10	27.48	27.46
Number of shareholders	6 316	6 711	6 965

	30 June 2017			
	%	Number of shareholders	%	Number of Shares
Range of shareholding				
1 – 1 000	9.15	578	0.03	255 836
1 001 – 10 000	44.35	2 801	1.38	12 111 554
10 001 – 50 000	27.11	1 712	4.62	40 689 424
50 001 – 100 000	7.63	482	4.02	35 376 176
100 001 – 500 000	9.14	577	13.54	119 136 973
500 001 – 1 000 000	1.17	74	5.96	52 421 397
Over 1 000 000	1.45	92	70.45	620 111 905
	100.00	6 316	100.00	880 103 265

CAPEVIN HOLDINGS LIMITED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

These annual financial statements were compiled by the Company's appointed manager, Remgro Management Services Limited, under the supervision of the Financial Director, PR Louw, CA(SA), and were audited by the Group's external auditor, PricewaterhouseCoopers Inc. These annual financial statements should be read in conjunction with Capevin Holdings Limited's ("Capevin") annual report, which is available on Capevin's website (www.capevin.com) or may be requested and obtained in person, at no charge, at the registered office of Capevin Holdings Limited during office hours.

COMPANY INFORMATION

Directors	CA Otto (<i>Chairman</i>) AE v Z Botha JJ Durand RM Jansen PR Louw EG Matenge-Sebeshe
Registration number	1997/020857/06
Registered address	Millennia Park 16 Stellantia Avenue Stellenbosch 7600
Postal address	PO Box 456 Stellenbosch 7599
Auditor	PricewaterhouseCoopers Inc. Stellenbosch
Secretary	Remgro Management Services Limited

REPORT OF THE AUDIT AND RISK COMMITTEE

for the year ended 30 June 2016

The Capevin Holdings Limited Audit and Risk Committee ("the committee") at the date of this report comprises Messrs RM Jansen (Chairman), AE v Z Botha and CA Otto. All the members are independent non-executive directors. The committee met as set out below during the past year and the meetings are open for all the directors to attend. The meetings held during the year were attended as follows:

Member	9 September 2015	2 March 2016
RM Jansen (<i>Chairman</i>)	√	√
AE v Z Botha	√	√
CA Otto	√	√
√ Present		

The committee reports that it has considered and is satisfied with the independence and objectivity of the external auditor, PricewaterhouseCoopers Inc. The committee has considered and recommended the fees payable to the external auditor and is satisfied with the extent of non-audit-related services performed.

The committee has satisfied itself that the financial function, including the financial director, has the appropriate expertise, experience and resources, and is satisfied that the internal financial controls of the Company are working effectively.

Based on the information and explanations given by management and discussions with the independent external auditor regarding the results of their audit, the committee is satisfied that there was no material breakdown in the internal financial controls during the financial year under review.

A board-approved Audit and Risk Committee charter stipulating, *inter alia*, the committee's composition, duties and responsibilities, has been adopted. The committee is satisfied that it complied with the responsibilities as set out in the Audit and Risk Committee charter as well as relevant legal and regulatory responsibilities.

The committee has evaluated the separate and group annual financial statements of Capevin Holdings Limited for the year ended 30 June 2016 and, based on the information provided to the committee, considers that the Group complies, in all material respects, with the requirements of the Companies Act (No. 71 of 2008), as amended, and International Financial Reporting Standards.

RM Jansen
Chairman
12 September 2016
Stellenbosch

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

The directors are responsible for the maintenance of adequate accounting records and to prepare annual financial statements that fairly represent the state of affairs and the results of the Group. The external auditor is responsible for independently auditing and reporting on the fair presentation of these annual financial statements. Management fulfils this responsibility primarily by establishing and maintaining accounting systems and practices adequately supported by internal financial controls. Such controls provide assurance that the Group's assets are safeguarded, that transactions are executed in accordance with management's authorisations and that the financial records are reliable. The annual financial statements are prepared in accordance with International Financial Reporting Standards and incorporate full and reasonable disclosure. Appropriate and recognised accounting policies are consistently applied.

The Audit and Risk Committee of the Group meets regularly with the external auditor, as well as administrative management, to evaluate matters concerning accounting policies, internal control, auditing and financial reporting. The external auditor has unrestricted access to all records and personnel as well as the Audit and Risk Committee.

The financial statements are prepared on the going concern basis, since the directors have every reason to believe that the Group has adequate resources to continue for the foreseeable future.

The Group's external auditors, PricewaterhouseCoopers Inc., audited the separate and group annual financial statements, and their report is presented on page 35.

The financial statements set out on pages 36 to 52 were approved by the board of directors of Capevin Holdings Limited and are signed on its behalf by:

CA Otto
Chairman
Stellenbosch
12 September 2016

PR Louw
Financial director

DECLARATION BY THE COMPANY SECRETARY

FOR THE YEAR ENDED 30 JUNE 2016

We declare that, to the best of our knowledge, the Company has filed with the Companies and Intellectual Property Commission (CIPC) all such returns and notices as are required of a public company in terms of the Companies Act (No. 71 of 2008), as amended, and that all such returns and notices are true, correct and up to date.

Remgro Management Services Limited
Company Secretary
(Per: **Mariza Lubbe**)
Stellenbosch
12 September 2016

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2016

NATURE OF BUSINESS

The Company is an investment holding company which holds an indirect effective interest of 26.77% (2015: 26.82%) in Distell Group Limited ("Distell"), which mainly manufactures, distributes and markets wine, spirits and alcoholic fruit beverages.

SHAREHOLDERS

Details regarding the Company's most significant shareholders are set out in note 16 to these annual financial statements.

OPERATING RESULTS

The main asset of the Company is an indirect investment in Distell which is held through its joint venture, Remgro-Capevin Investments Proprietary Limited. The equity method of accounting is therefore applied in the preparation of these group financial statements.

The financial position and results of operations are fully dealt with in the attached annual financial statements.

Headline earnings per share increased by 12.6% from 43.7 cents per share to 49.2 cents per share. Normalised headline earnings per share, which excludes the Company's share of Distell's remeasurement and reversal of the contingent consideration of the acquisition of Burn Stewart Distillers during prior years increased by 11.8% from 44.0 cents to 49.2 cents per share.

THE PROPOSED ACQUISITION OF SABMILLER BY AB INBEV

The global alcoholic beverages industry has witnessed further consolidation with the proposed acquisition of SABMiller by AB Inbev. The intended transaction has been subjected to review by various competition authorities around the world, including South Africa. One of the conditions of the Competition Tribunal's ruling of the merger between AB Inbev and SABMiller in South Africa, has been the disposal of the latter's shareholding in Distell.

The Board of Capevin Holdings has taken note of this condition and will await AB Inbev/SABMiller's response in this regard and, with due consideration of the Company's rights it has, act in the best interest of Capevin Holdings and its shareholders.

STATED CAPITAL

There were no movements in the Company's stated capital during the year under review.

DIRECTORS

The directors of the Company at the date of this report were:

- CA Otto (*Chairman*)*^
- AE v Z Botha^
- JJ Durand*
- RM Jansen^
- EG Matenge-Sebesho*^
- PR Louw

* Also serves on Distell's board of directors.

^ Independent non-executive director.

In terms of the provisions of the Memorandum of Incorporation, Messrs AE v Z Botha and JJ Durand retire from the Board by rotation. These directors are eligible and offer themselves for re-election.

DIRECTORS' EMOLUMENTS AND INTERESTS

Details are set out in note 12 to these annual financial statements.

DIVIDENDS

An interim dividend of 11.40 cents (2015: 12.40 cents) per share was declared on 2 March 2016 and paid on 18 April 2016.

The final dividend was determined at 14.20 cents (2015: 10.45 cents) per share. The total dividend for the year therefore amounts to 25.60 cents (2015: 22.85 cents), which represents an increase of 12.0%.

In terms of the Company's Memorandum of Incorporation, dividends that are not claimed by shareholders may be declared forfeited after three years. During the year under review, the Board took the decision to declare all such dividends forfeited.

DECLARATION OF CASH DIVIDEND

In terms of the dividend policy of Capevin Holdings, dividends received from its indirect interest in Distell, after providing for administrative expenses, will be distributed to shareholders. The directors have consequently resolved to approve and declare a final gross cash dividend (dividend number 24) of 14.20 cents (2015: 10.45 cents) per share for the year ended 30 June 2016. The dividend has been declared from income reserves.

A dividend withholding tax of 15% or 2.1300 cents per share will be applicable, resulting in a net dividend of 12.07 cents per share, unless the shareholder concerned is exempt from paying dividend withholding tax or is entitled to a reduced rate in terms of an applicable double-tax agreement.

The number of issued ordinary shares as at 12 September 2016 is 880 103 265. The Company's income tax number is 9599/656/71/8.

Payment

The final dividend is payable on Monday, 3 October 2016, to shareholders of the Company registered at the close of business on Friday, 30 September 2016.

Share certificates may not be dematerialised or rematerialised between Wednesday, 28 September 2015 and Friday, 30 September 2016, both days inclusive. In terms of the Company's Memorandum of Incorporation, dividends will only be transferred electronically to the bank accounts of shareholders, while dividend cheques are no longer issued. In the instance where shareholders do not provide the Transfer Secretaries with their banking details, the dividend will not be forfeited but will be marked as "unclaimed" in the share register until the shareholder provides the Transfer Secretaries with the relevant banking details for pay out.

EVENTS AFTER THE REPORTING DATE

The directors are unaware of any other matter or event which is material to the financial affairs of the Company that have occurred between the reporting date and the date of approval of the annual financial statements.

SECRETARY

The secretary of the Company is Remgro Management Services Limited. Its business and postal addresses are set out below:

Business address

Millennia Park
16 Stellentia Avenue
Stellenbosch
7600

Postal address

PO Box 456
Stellenbosch
7599

REPORT OF THE INDEPENDENT AUDITOR

Report on the financial statements

We have audited the consolidated and separate financial statements of Capevin Holdings Limited set out on pages 36 to 52, which comprise the statements of financial position as at 30 June 2016, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Capevin Holdings Limited as at 30 June 2016, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 30 June 2016, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Capevin Holdings Limited for 20 years.

PricewaterhouseCoopers Inc.

Director: **NH Döman**

Registered Auditor

Stellenbosch
12 September 2016

CAPEVIN HOLDINGS LIMITED
STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2016

		GROUP		COMPANY	
	Notes	2016 R'000	2015 R'000	2016 R'000	2015 R'000
ASSETS					
Non-current assets		2 852 443	2 559 147	2 621 191	2 622 991
Investment in joint venture	2	2 852 443	2 557 347	2 621 191	2 621 191
Available-for-sale asset	3	–	1 800	–	1 800
Current assets					
Cash and cash equivalents	4	15 871	4 842	15 871	4 842
Total assets		2 868 314	2 563 989	2 637 062	2 627 833
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Stated capital	5	2 492 046	2 492 046	2 492 046	2 492 046
Retained earnings		18 099	1 539	132 906	116 346
Other reserves		(2 464 384)	(2 462 872)	–	1 512
Equity reserve		2 810 443	2 515 347	–	–
Total equity		2 856 204	2 546 060	2 624 952	2 609 904
Non-current liabilities					
Deferred taxation	6	–	335	–	335
Current liabilities		12 110	17 594	12 110	17 594
Trade payables		268	318	268	318
Unclaimed dividends		11 800	17 239	11 800	17 239
Current income tax liability		42	37	42	37
Total liabilities		12 110	17 929	12 110	17 929
Total equity and liabilities		2 868 314	2 563 989	2 637 062	2 627 833

CAPEVIN HOLDINGS LIMITED
STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED
30 JUNE 2016

	Notes	GROUP		COMPANY	
		2016 R'000	2015 R'000	2016 R'000	2015 R'000
Share of profit of joint venture		410 662	385 899	–	–
Loss on dilution of interest in joint venture	2	(2 527)	(246)	–	–
Investment income	7	1 452	1 025	208 571	201 103
Profit on sale of investment		1 650	–	1 650	–
Unclaimed dividends forfeited		1 252	1 106	1 252	1 106
Administrative expenses	8	(2 162)	(2 280)	(2 162)	(2 280)
Profit before taxation		410 327	385 504	209 311	199 929
Taxation	9	(496)	(284)	(496)	(284)
Profit for the year		409 831	385 220	208 815	199 645
Other comprehensive income		92 615	70 113	(1 465)	–
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Fair value adjustment – available-for-sale asset		(150)	–	(150)	–
Tax charge relating to available-for-sale asset		28	–	28	–
Reclassified to profit or loss		(1 343)	–	(1 343)	–
Share of other comprehensive income of joint venture					
Fair value adjustment – available-for-sale asset		(4 630)	1 529	–	–
Currency translation differences		65 244	48 215	–	–
Reclassified to profit or loss		(754)	(361)	–	–
<i>Items that will not be reclassified to profit or loss:</i>					
Share of joint venture's remeasurements of post-employment benefits		22 092	16 332	–	–
Other equity movements of joint venture		12 128	4 398	–	–
Total comprehensive income for the year		502 446	455 333	207 350	199 645
Profit attributable to:					
Owners of the parent		409 831	385 220		
Total comprehensive income attributable to:					
Owners of the parent		502 446	455 333		
Earnings per share (cents)	11				
– Basic		46.6	43.8		
– Diluted		46.4	43.6		

CAPEVIN HOLDINGS LIMITED
STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED
30 JUNE 2016

	Stated capital R'000	Retained earnings R'000	Equity reserve R'000	Other reserves R'000	Total R'000
GROUP					
Balance at 30 June 2014	2 492 046	16 639	2 259 659	(2 462 872)	2 305 472
Profit for the year	–	385 220	–	–	385 220
Other comprehensive income, net of tax	–	–	70 113	–	70 113
Share of other comprehensive income of joint venture	–	–	66 076	–	66 076
Other equity movements of joint venture	–	–	4 398	–	4 398
Reclassified to profit or loss	–	–	(361)	–	(361)
Total comprehensive income	–	385 220	70 113	–	455 333
Transactions with owners	–	(400 320)	185 575	–	(214 745)
Net transfer between reserves	–	(185 575)	185 575	–	–
Dividends paid	–	(214 745)	–	–	(214 745)
Balance at 30 June 2015	2 492 046	1 539	2 515 347	(2 462 872)	2 546 060
Profit for the year	–	409 831	–	–	409 831
Other comprehensive income, net of tax	–	47	94 080	(1 512)	92 615
Share of other comprehensive income of joint venture	–	–	82 706	–	82 706
Other equity movements of joint venture	–	–	12 128	–	12 128
Fair value adjustment – available-for-sale asset, net of tax	–	–	–	(122)	(122)
Reclassified to profit or loss	–	47	(754)	(1 390)	(2 097)
Total comprehensive income	–	409 878	94 080	(1 512)	502 446
Transactions with owners	–	(393 318)	201 016	–	(192 302)
Net transfer between reserves	–	(201 016)	201 016	–	–
Dividends paid	–	(192 302)	–	–	(192 302)
Balance at 30 June 2016	2 492 046	18 099	2 810 443	(2 464 384)	2 856 204

STATEMENTS OF CHANGES IN EQUITY (continued)

	Stated capital R'000	Retained earnings R'000	Other reserves R'000	Total R'000
COMPANY				
Balance at 30 June 2014	2 492 046	131 446	1 512	2 625 004
Total comprehensive income				
Profit for the year	–	199 645	–	199 645
Transactions with owners				
Dividends paid	–	(214 745)	–	(214 745)
Balance at 30 June 2015	2 492 046	116 346	1 512	2 609 904
Total comprehensive income	–	208 862	(1 512)	207 350
Profit for the year	–	208 815	–	208 815
Other comprehensive income, net of tax	–	–	(122)	(122)
Transfer to profit or loss	–	47	(1 390)	(1 343)
Transactions with owners				
Dividends paid	–	(192 302)	–	(192 302)
Balance at 30 June 2016	2 492 046	132 906	–	2 624 952

Dividend per share

Interim: 11.4 cents (2015: 12.4 cents) – declared 2 March 2016 and paid 18 April 2016.

Final: 14.2 cents (2015: 10.45 cents) – declared 12 September 2016 and payable 3 October 2016.

CAPEVIN HOLDINGS LIMITED
STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2016

		GROUP		COMPANY	
	Notes	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Cash flows from operating activities					
Dividends received	10.1	207 129	200 088	207 129	200 088
Dividends paid		(192 302)	(214 745)	(192 302)	(214 745)
Interest received		1 442	1 015	1 442	1 015
Administrative expenses	8	(2 162)	(2 280)	(2 162)	(2 280)
Taxation paid	10.2	(491)	(278)	(491)	(278)
(Decrease)/increase in trade and other payables and unclaimed dividends		(4 237)	14 416	(4 237)	14 416
		9 379	(1 784)	9 379	(1 784)
Cash flows from investing activities		1 650	4 314	1 650	4 314
Proceeds from disposal of investment		1 650	–	1 650	–
Investment in money market fund		–	4 314	–	4 314
Net increase in cash and cash equivalents		11 029	2 530	11 029	2 530
Cash and cash equivalents at beginning of the year		4 842	2 312	4 842	2 312
Cash and cash equivalents at end of the year	4	15 871	4 842	15 871	4 842

CAPEVIN HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2016

1. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these annual financial statements are set out below. These policies have been consistently applied to both years presented.

1.1 BASIS OF PREPARATION

The annual financial statements are prepared on the historical cost basis, unless otherwise indicated, in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations applicable to companies reporting under IFRS, the requirements of the Companies Act (No. 71 of 2008), as amended, the Listings Requirements of the JSE Limited and the SAICA Financial Reporting Guides issued by the Accounting Practices Committee.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Management has made no significant estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. However, critical estimates and judgements are applicable to Distell's results (refer note 1.2).

Economic interest financial statements

As Capevin Holdings Limited does not have any investments in subsidiaries as of 2013, but only an investment in a joint venture, the Company prepares "economic interest" financial statements in which its investment is equity accounted. These "economic interest" financial statements are referred to as "Group".

1.2 EQUITY ACCOUNTING – JOINT VENTURES

Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. Capevin Holdings has assessed the nature of its joint arrangement and determined it to be a joint venture. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's share of post-acquisition profit and loss is recognised in profit and loss, and its share of post-acquisition movements in other comprehensive income and other equity movements are assessed based on the substance of the transaction and accounted for accordingly, with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures. Dividends received or receivable from are recognised as a reduction in the carrying amount of the investment.

Unrealised gains on transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in the joint venture. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint venture have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in joint ventures are recognised in profit or loss.

Where equity securities are transferred to investment in joint ventures upon gaining joint control ("step acquisition"), the investment is transferred at its fair value with the resulting gain or loss, as well as any acquisition-related costs, recognised in profit or loss. Goodwill is calculated at each stage of step acquisitions. If the ownership interest in a joint venture is reduced but joint control is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

After applying the equity method, investments in joint ventures are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Investments in joint ventures are carried at cost less accumulated impairment losses in the Company's financial statements.

Interest-free loans to joint ventures with no specific terms of repayment are considered to be a capital contribution to the joint venture and are included in the carrying amount of the investment.

When the Company ceases to have joint control but retains a portion of the investment as a financial asset, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as a financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the investee had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Significant accounting policies of the joint venture

(a) Inventories

Net realisable value is the estimated selling price in the ordinary course of business, less the applicable costs of completion and selling expenses. Costs of inventories include the transfer from equity of any gains/losses on qualifying cash flow hedges purchases of raw materials.

Significant estimates and judgements of the joint venture

The results of the joint venture, which are equity accounted in the group's financial statements, includes some significant estimates and judgements. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the joint venture's financial statements are the following:

(a) Estimated impairment of goodwill and intangible assets

Distell tests annually whether goodwill and the intangible assets with indefinite useful lives have suffered any impairment. The recoverable amounts of cash-generating units are determined as being the higher of the value-in-use or fair value less costs to sell.

(b) Income taxes

Distell is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. Distell recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax assets and liabilities in the period in which such determination is made.

(c) Retirement benefits

The present value of the pension obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pension include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

Distell determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash flows expected to be required to settle the pension obligations. In determining the appropriate discount rate, Distell considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

(d) Biological assets

Distell owns bearer biological assets in the form of grapevines and certain assumptions and estimates are used to calculate the fair value of grapevines.

(e) Impairment of available-for-sale financial assets

Distell follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, and operational and financing cash flow.

(f) *Business combinations*

Where Distell acquires control of another business, the consideration transferred has to be allocated to the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquired business, with any residual recorded as goodwill. This process involves management making an assessment of the fair value of these items. Management's judgement is particularly involved in the recognition and measurement of the following items:

- Intellectual property. This include patents, licences, trademarks and similar rights for currently marketed products.
- Contingencies such as legal and environmental matters.
- The recoverability of any accumulated tax losses previously incurred by the acquired company.

In all cases management makes an assessment based on the underlying economic substance of the items concerned, and not only on the contractual terms, in order to fairly present these items.

(g) *Property, plant and equipment*

It is necessary for Distell to make use of judgement when determining the useful life of the property, plant and equipment.

(h) *Consolidation of entities where the Group holds less than 50%*

Distell is one of the two largest shareholders in Mirma Products Proprietary Limited with a 45% equity interest. The Group buys more than 98% of the total product produced by Mirma Products. There is no history of other shareholders forming a group to exercise their votes collectively. Based on the absolute size of the group's shareholding, as well as the business model of Mirma Products Proprietary Limited, management have concluded that the Group has sufficiently dominant interest to have the power to direct the relevant activities of the entity.

1.3 FINANCIAL ASSETS

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group deposits money with financial institutions. They are included in current assets, except for maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables in the statement of financial position consist of cash and cash equivalents, and are measured at amortised cost using the effective interest method, less provision for impairment. Interest on loans and receivables, calculated using the effective interest method is recognised in profit or loss as part of investment income.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of them within 12 months of the reporting date.

Recognition and measurement of financial assets

Purchases and sales of financial assets are recognised on trade date (the date on which the Group commits to purchase or sell the asset). Financial assets are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets are subsequently carried at fair value. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in profit or loss as gains and losses from investment activities.

Dividends on available-for-sale equity instruments are recognised in profit or loss as part of investment income when the Group's right to receive payment is established.

The fair value of financial instruments traded in an organised financial market is measured at the applicable quoted prices. The fair value of the financial instruments that are not traded in an organised financial market is determined using a variety of methods and assumptions that are based on market conditions and risk existing at reporting date, including independent appraisals and discounted cash flow methods. Fair values represent an approximation of possible value, which may differ from the value that will finally be realised.

Impairment of financial assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit and loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

Loans and receivables are considered impaired if, and only if, there is objective evidence of impairment as a result of events that occurred after initial asset recognition (known as loss events) and these loss events have an adverse impact on the assets' estimated future cash flows that can be reliably measured. Objective evidence that loans and advances may be impaired, includes breach of contract, such as a default or delinquency in interest or principal payments. In this regard instalments past due date are considered in breach of contract. The amount of the impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Impairment losses are recognised in profit or loss, and reversed through profit or loss.

1.4 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash held at call with banks and other short-term highly liquid investments with maturities of three months or less.

1.5 STATED CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of any tax, from the proceeds.

1.6 RESERVES

Equity reserve

The equity reserve comprises the Group's share of joint ventures' post-acquisition reserves.

Other reserves

Transactions with non-controlling interest reserve

The reserve comprises the difference between the proceeds from shares issued and the carrying value of non-controlling interest acquired in light of the scheme of arrangement during the 2013 financial year whereby the Company acquired the minority interest in its investment in Capevin Investments Limited (CVI) by issuing ordinary shares. CVI was subsequently liquidated.

Available-for-sale reserve

Gains and losses from changes in the fair value of available-for-sale investments are recognised in other comprehensive income until the financial asset is disposed of.

1.7 FINANCIAL LIABILITIES

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity. Financial liabilities are classified as current if it is payable within 12 months after the reporting date.

Trade payables and unclaimed dividends

Trade payables and unclaimed dividends are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.8 TAXATION

Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Group's subsidiaries and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and joint ventures, except where the Group controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Dividend withholding tax

Dividend withholding tax is not levied on the Company but on the beneficial owner of the share and accordingly does not require recognition in profit or loss. Dividends tax withheld by the Company on dividends paid to its shareholders (who do not qualify for an exemption from dividends tax) and payable at the reporting date to the South African Revenue Service (where applicable) is included in trade and other payables in the statement of financial position.

1.9 REVENUE RECOGNITION

Interest income is recognised according to the effective interest method and dividends are recognised when the right to receive payment is established.

1.10 DIVIDEND DISTRIBUTION

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's Board of Directors.

1.11 STATEMENT OF CASH FLOWS

The statement of cash flows is prepared using the indirect method.

1.12 SEGMENT REPORT

Capevin Holdings Limited is an investment holding Company with its only significant investment being an effective interest in Distell Group Limited. The directors have not identified any other segment to report on.

1.13 OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.14 CHANGES IN INTERNATIONAL FINANCIAL REPORTING STANDARDS

Standards, interpretations and amendments to published standards that are not yet effective

- IFRS 9: Financial Instruments (effective date – financial periods commencing on/after 1 January 2018).
- IFRS 14: Regulatory Deferral Accounts (effective date – financial periods commencing on/after 1 January 2016).
- IFRS 15: Revenue from Contracts with Customers (effective date – financial periods commencing on/after 1 January 2018).
- IFRS 16: Leases (effective date – financial periods commencing on/after 1 January 2019).
- Amendments to IFRS 10: Consolidated Financial Statements (effective date – financial periods commencing on/after 1 January 2016).
- Amendments to IFRS 11: Joint Arrangements (effective date – financial periods commencing on/after 1 January 2016).
- Amendments to IAS 1: Presentation of Financial Statements (effective date – financial periods commencing on/after 1 January 2016).
- Amendments to IAS 7: Cash flow statements (effective date – financial periods commencing on/after 1 January 2017).
- Amendment to IAS 12: Income taxes (effective date – financial periods commencing on/after 1 January 2017).
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation (effective date – financial periods commencing on/after 1 January 2016).
- Amendments to IAS 16: Property, plant and equipment and IAS 41: Agriculture: Bearer Plants (effective date – financial periods commencing on/after 1 January 2016).
- Amendments to IAS 27: Separate financial statements on equity accounting (effective date – financial periods commencing on/after 1 January 2016).

It is expected that IFRS 9, IFRS 15, IFRS 16 and the amendments to IAS 16 and IAS 41 pertaining to bearer plants may have an impact on the Capevin Holdings' results, but that impact has not yet been assessed. It is not expected that the other changes to IFRS will have a significant impact on the Group's financial statements.

	GROUP		COMPANY	
	2016	2015	2016	2015
	R'000	R'000	R'000	R'000
2. INVESTMENT IN JOINT VENTURE				
Unlisted investment in Remgro-Capevin Investments (Pty) Ltd – at cost	42 000	42 000	2 621 191	2 621 191
The Group's investment comprises 50 ordinary shares of R1 each and an unsecured, interest-free loan with no specific terms of repayment. The investment ultimately represents a shareholding of 26.77% (2015: 26.82%) in Distell Group Ltd.				
Interest in post-acquisition reserves	2 810 443	2 515 347		
Balance at the beginning of the year	2 515 347	2 259 659		
Share of profit of joint venture	410 662	385 899		
Dividend received	(207 119)	(200 078)		
Dilution of interest	(3 281)	(246)		
Other comprehensive income	94 834	70 113		
Carrying value	2 852 443	2 557 347	2 621 191	2 621 191
Set out below is Distell's summarised financial information, as well as a reconciliation of that information to the carrying amount of Remgro-Capevin Investments (which houses the investment).				
Summarised statement of comprehensive income				
Revenue	21 470 120	19 588 970		
Depreciation and amortisation	(371 697)	(271 224)		
Interest income	21 002	23 241		
Interest expense	(281 790)	(259 711)		
Profit before tax	2 156 376	1 988 685		
Taxation	(624 485)	(569 024)		
Profit after tax	1 531 891	1 419 661		
Attributable to non-controlling shareholders	95	17 475		
Attributable profit for the year	1 531 986	1 437 136		
Other comprehensive income attributable to shareholders	306 769	246 018		
Total comprehensive income attributable to shareholders	1 838 755	1 683 154		
Headline earnings	1 610 648	1 434 561		
Summarised statement of financial position				
Non-current assets	8 312 169	7 435 251		
Cash and cash equivalents	1 032 402	619 367		
Other current assets	10 597 320	9 753 150		
Total assets	19 941 891	17 807 768		
Non-controlling interest	(15 262)	(19 283)		
Non-current financial liabilities	(1 200 000)	(3 323 446)		
Other non-current liabilities	(750 938)	(652 226)		

	GROUP		COMPANY	
	2016	2015	2016	2015
	R'000	R'000	R'000	R'000
Current financial liabilities (excluding trade and other payables and provisions)	(3 726 589)	(870 387)		
Other current liabilities	(3 592 105)	(3 405 312)		
Net assets	10 656 997	9 537 114		
Reconciliation to carrying value				
Capevin Holdings' effective interest	26.77%	26.82%		
Capevin Holdings' effective interest in net assets	2 852 443	2 557 347		
Carrying value at 30 June	2 852 443	2 557 347		
Fair value of investment based on the JSE Limited closing price on 30 June	9 493 453	9 796 798		
3. AVAILABLE-FOR-SALE ASSET				
Unlisted investments – Historical Homes of South Africa Limited	–	1 800	–	1 800
Balance at the beginning of the year	1 800	1 800	1 800	1 800
Fair value adjustment for the year	(150)	–	(150)	–
Disposal	(1 650)	–	(1 650)	–
Balance at the end of the year	–	1 800	–	1 800
The investment in Historical Homes Limited was disposed of during the year.				
4. CASH AND CASH EQUIVALENTS				
Cash at bank	15 871	4 842	15 871	4 842
The carrying amount of cash and cash equivalents approximates the fair value thereof.				
5. STATED CAPITAL				
Authorised				
2 000 000 000 ordinary shares of no par value				
Issued				
880 103 265 ordinary shares of no par value	2 492 046	2 492 046	2 492 046	2 492 046
6. DEFERRED TAXATION				
The movements on the deferred income tax account were as follows:				
Balance at beginning of the year	335	335	335	335
Accounted for in other comprehensive income	(28)	–	(28)	–
Realised on disposal of investment	(307)	–	(307)	–
	–	335	–	335
The analysis of deferred tax liability is as follows:				
Revaluation of available-for-sale asset	–	335	–	335

	GROUP		COMPANY	
	2016	2015	2016	2015
	R'000	R'000	R'000	R'000
Deferred tax on available for sale assets are provided using the capital gains tax rate. Deferred taxation is provided at a rate of 0% on temporary differences relating to the investment in the joint venture as the investment is expected to be recovered through dividends, which is exempt from taxation.				
7. INVESTMENT INCOME				
Dividend income				
Dividends received from Remgro-Capevin Investments (Pty) Ltd	–	–	207 119	200 078
Dividends received from available-for-sale financial asset	10	10	10	10
Interest income				
Cash and cash equivalents	1 442	1 015	1 442	1 015
	1 452	1 025	208 571	201 103
8. ADMINISTRATIVE EXPENSES				
Auditors' remuneration (audit services)	178	168	178	168
Current year	174	163	174	163
Prior year under provision	4	5	4	5
Directors' emoluments	136	110	136	110
Professional fees	53	130	53	130
Other administrative expenses	1 795	1 872	1 795	1 872
	2 162	2 280	2 162	2 280
9. TAXATION				
South Africa normal tax				
Current year	496	284	496	284
Tax rate reconciliation:	%	%	%	%
Standard rate for companies	28.00	28.00	28.00	28.00
Share of profit of joint venture	(27.85)	(28.01)	–	–
Exempt dividend income	–	–	(27.71)	(28.02)
Dividends forfeited	(0.09)	(0.08)	(0.17)	(0.15)
Non-deductible expenses	0.15	0.16	0.30	0.31
Non-taxable portion of capital profit on disposal of investment	(0.09)	–	(0.18)	–
Effective tax rate	0.12	0.07	0.24	0.14
10. CASH FLOW INFORMATION				
10.1 DIVIDENDS RECEIVED				
Dividends accounted for in investment income	10	10	207 129	200 088
Dividends from joint venture set off against investment	207 119	200 078	–	–
	207 129	200 088	207 129	200 088
10.2 TAXATION PAID				
Unpaid at the beginning of the year	37	31	37	31
Per profit or loss	496	284	496	284
Unpaid at end of the year	(42)	(37)	(42)	(37)
	491	278	491	278

11. EARNINGS PER SHARE

The calculation of earnings per share is based on the following:

	GROUP	
	2016	2015
	R'000	R'000
Earnings attributable to ordinary shareholders	409 831	385 220
Headline earnings adjustable items		
Share of joint venture's impairment of intangible asset*	21 463	–
Share of joint venture's other capital losses/(gains)	491	(849)
Tax on share of joint venture's capital gains and losses	(91)	157
Gain on disposal of investment	(1 650)	–
Tax effect on gain of disposal of investment	92	–
Loss on dilution of interest in joint venture	2 527	246
Headline earnings	432 663	384 774
Remeasurement and reversal of contingent consideration	–	2 388
Normalised headline earnings[#]	432 663	387 162
*The impairment relates to the Bisquit brand. The expected potential market growth in China and Russia at the time of acquisition has not materialised leading to an impairment in the carrying value of the brand.		
[#] Normalised headline earnings excludes the Company's share of Distell's remeasurement and reversal of the contingent consideration of the acquisition of Burn Stewart Distillers in the 2015 financial year.		
Weighted number of shares in issue ('000)	880 103	880 103
Earnings per share (cents)		
– Basic	46.6	43.8
– Diluted	46.4	43.6
Headline earnings per share (cents)		
– Basic	49.2	43.7
– Diluted	49.0	43.5
Normalised headline earnings per share (cents)		
– Basic	49.2	44.0
– Diluted	49.0	43.8
The weighted number of shares was used to determine all basic and diluted per share earnings measures.		
Distell has a management share incentive scheme in place in terms of which shares will be delivered to scheme participants. As the fair value of the shares at the date of delivery will differ from the offer value, the number of shares represented by the difference will be regarded as an issue of ordinary shares for no consideration. Accordingly, the issue of these shares will have a dilutive effect on the Company's earnings. To calculate the Company's diluted per share earnings measures, the following amounts were off-set against the respective basic earnings number to account for the potential dilutive effect:		
Earnings (R'000)	1 646	1 643
Headline earnings (R'000)	1 703	1 655
Normalised headline earnings (R'000)	1 703	1 526

12. RELATED PARTY TRANSACTIONS

During the year the Group received dividends from Remgro-Capevin Investments (Pty) Ltd (a joint venture) of R207 119 220 (2015: R200 078 000) and paid administrative fees of R980 500 (2015: R925 000) to Remgro Management Services Limited (a subsidiary of an investor with significant influence over the Group). The Group also disposed of its investment in Historical Homes of South Africa Limited to Eikenlust (Pty) Ltd (a subsidiary of an investor with significant influence over the Group) for a total amount of R1 650 000.

Directors' emoluments

The directors received the following fees for services as directors:

Director (Rands)	2016	2015
AE v Z Botha	37 200	17 400
N Celliers*	–	11 600
RM Jansen	37 200	34 800
EG Matenge-Sebesho*	24 800	11 600
CA Otto	37 200	34 800

**Mr N Celliers resigned, and Ms EG Matenge-Sebesho was appointed, as a director on 12 September 2014.*

Directors' interests

No director (or associate of any of the directors), holds an interest in the securities of the Company.

There has been no change in the interests of the directors in the securities of the Company from the reporting date up to the approval of the annual financial statements.

14. FINANCIAL RISK MANAGEMENT

The financial instruments in the statement of financial position on 30 June 2016 are limited to cash and cash equivalents, trade payables and unclaimed dividends.

Cash and cash equivalents are classified as loans and receivables and trade payables and unclaimed dividends are classified as liabilities measured at amortised cost.

The Group and Company's operations expose it to negligible levels of credit, interest rate and price risk, and no currency risk.

Credit risk relates to bank balances held with financial institutions. The risk is limited as a result of the high credit rating (Baa2) of the financial institutions.

Interest rate risk relates only to the bank balances and any change in interest rates will not have a significant effect on the Group and Company's results.

Price risk related only to the investment in Historical Homes of South Africa Limited, which was disposed of during the year under review.

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. The Group and Company's financial liabilities are all payable within 12 months from the reporting date.

Fair value measurements

The following methods and assumptions are used to determine the fair value of each class of financial instruments:

Financial instruments available-for-sale: Fair value is based on quoted market prices or, in the case of unlisted instruments, appropriate valuation methodologies, being the actual net asset value of the investment less tradability and marketability discounts.

Financial instruments measured at fair value, are disclosed by level of the following fair value hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company had no financial instruments measured at fair value other than the investment in Historical Homes of South Africa Limited which was disposed of during the 2016 financial year. Refer to note 3 for a reconciliation of the carrying value of this available-for-sale asset that was classified as level 3.

Capital risk management

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders. The Group's dividend policy is to declare and pay dividends according to its free cash flow model, i.e. dividends and interest received less administrative expenses and taxation paid.

The Group's capital comprises total equity, as shown in the Group statement of financial position. When funding is required, the Group will either raise additional capital or utilise debt. There is no restriction on the level of gearing.

15. EVENTS AFTER THE REPORTING DATE

The Group is unaware of any matter or event that is material to the financial affairs of the Company that have occurred between the reporting date and the date of approval of the annual financial statements.

16. SHARE ANALYSIS

Major beneficial shareholders

	30 June 2016		30 June 2015	
	%	Number of shares	%	Number of shares
Remgro International Holdings (Pty) Ltd	15.56	136 978 200	15.56	136 978 200
Government Employees Pension Fund (PIC)	11.92	104 899 156	11.90	104 737 607
Other	72.52	638 225 909	72.54	638 387 458
Total	100.00	880 103 265	100.00	880 103 265

No other shareholder held a beneficial interest of more than 5% in the ordinary shares of the Company on 30 June 2016.

Distribution of shareholders

	30 June 2016	30 June 2015	30 June 2014
Ordinary shares			
<i>Public shareholders</i>	6 709	6 963	7 322
Percentage of shareholders	99.97	99.97	99.97
Number of shares	638 225 909	638 387 458	743 104 065
Percentage of shares issued	72.52	72.54	84.43
<i>Non-public shareholders</i>			
Directors and their associates/others	2	2	2
Percentage of shareholders	0.03	0.03	0.03
Number of shares	241 877 356	241 715 807	136 999 200
Percentage of shares issued	27.48	27.46	15.57
Number of shareholders	6 711	6 965	7 324

Range of shareholding

	30 June 2016			
	%	Number of shareholders	%	Number of shares
1 – 1 000	5.36	360	0.02	186 361
1 001 – 10 000	47.12	3 162	1.58	13 885 338
10 001 – 50 000	28.18	1 891	5.10	44 876 983
50 001 – 100 000	7.76	521	4.32	38 055 285
100 001 – 500 000	9.14	613	14.32	126 055 045
500 001 – 1 000 000	1.07	72	5.80	51 081 604
Over 1 000 000	1.37	92	68.86	605 962 649
	100.00	6 711	100.00	880 103 265

HISTORICAL FINANCIAL INFORMATION OF RCI FOR THE YEARS ENDED 30 JUNE 2017, 30 JUNE 2016 AND 30 JUNE 2015

INTRODUCTION

The historical financial information of RCI set out below has been extracted from the audited financial statements of RCI for the years ended 30 June 2017, 30 June 2016 and 30 June 2015 ("Historical Financial Information"). The financial statements have been prepared under the supervision of Remgro Limited's Chief Financial Officer, Mr Neville Williams CA(SA). The Historical Financial Information is the responsibility of the directors. The Historical Financial Information is in accordance with IFRS and interpretations adopted by the International Accountants Standards Boards (IASB) and were audited by PricewaterhouseCoopers Inc, who issued a qualified audit opinion thereon.

The independent reporting accountant's report on the Historical Financial Information is presented in Annexure DI.

COMMENTARY

RCI is an investment company, which derives its income mainly from interest and dividends. RCI was incorporated to hold a 52.8% stake of Distell Group Limited ("Distell"). Throughout its existence Distell has been its only asset. In the event that the Transaction is implemented it will become a wholly-owned subsidiary of Capevin Holdings Limited and in turn a wholly-owned subsidiary of Business Venture Investments No 1997 Limited.

DIRECTORS

The Directors are:

A E Van Zyl Botha
J J Durand
R M Jansen
P R Louw
E G Matenge-Sebesho
C A Otto
N J Williams

DIVIDENDS

The following dividends were paid:

	2017 R	2016 R	2015 R
September 2016 (September 2015, September 2014)	251 124 720	220 614 240	214 746 840
March 2017 (March 2016, March 2015)	193 624 200	193 624 200	185 409 840
	444 748 920	414 238 440	400 156 680

STATEMENTS OF FINANCIAL POSITION AT 30 JUNE 2017, 30 JUNE 2016 AND 30 JUNE 2015

	Notes	2017 R	2016 R	2015 R
ASSETS				
Non-current assets				
Investment – Subsidiary company	2	84 000 000	84 000 000	84 000 000
Current assets				
Trade and other receivables		10 374	9 690	9 006
Total assets		84 010 374	84 009 690	84 009 006
EQUITY AND LIABILITIES				
Capital and reserves				
Stated capital	3	100	100	100
Current liabilities		84 010 274	84 009 590	84 008 906
Shareholders' loans	4	83 999 900	83 999 900	83 999 900
Trade and other payables		10 374	9 690	9 006
Total equity and liabilities		84 010 374	84 009 690	84 009 006

INCOME STATEMENTS FOR THE YEARS ENDED 30 JUNE 2017, 30 JUNE 2016 AND 30 JUNE 2015

	2017 R	2016 R	2015 R
Income	444 759 294	414 248 130	400 165 686
Dividends received – Subsidiary company – Listed	444 748 920	414 238 440	400 156 680
Allowance received – shareholders	10 374	9 690	9 006
Less:			
Expenditure			
Auditors' remuneration – current year	10 374	9 690	9 006
Net profit for the year	444 748 920	414 238 440	400 156 680

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 30 JUNE 2017, 30 JUNE 2016 AND 30 JUNE 2015

	2017 R	2016 R	2015 R
Net profit for the year	444 748 920	414 238 440	400 156 680
Other comprehensive income	–	–	–
Total comprehensive income for the year	444 748 920	414 238 440	400 156 680

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 30 JUNE 2017, 30 JUNE 2016 AND 30 JUNE 2015

	Stated capital R	Retained earnings R	Total R
2017			
Balances at 1 July	100	–	100
Total comprehensive income for the year		444 748 920	444 748 920
Dividends paid		(444 748 920)	(444 748 920)
	100	–	100
2016			
Balances at 1 July	100	–	100
Total comprehensive income for the year		414 238 440	414 238 440
Dividends paid		(414 238 440)	(414 238 440)
	100	–	100
2015			
Balance at 1 July	100	–	100
Total comprehensive income for the year		400 156 680	400 156 680
Dividends paid		(400 156 680)	(400 156 680)
	100	–	100

STATEMENTS OF CASH FLOW FOR THE YEARS ENDED 30 JUNE 2017, 30 JUNE 2016 AND 30 JUNE 2015

	Notes	2017 R	2016 R	2015 R
Cash flow – operating activities				
Net profit before taxation		444 748 920	414 238 440	400 156 680
Adjustments	5.1	(444 748 920)	(414 238 440)	(400 156 680)
Operating profit before working capital changes		–	–	–
Working capital changes	5.2	–	–	–
Cash generated from operations		–	–	–
Dividends received		444 748 920	414 238 440	400 156 680
Dividends paid		(444 748 920)	(414 238 440)	(400 156 680)
Net increase/(decrease) in cash and cash equivalents		–	–	–
Cash and cash equivalents at the beginning of the year		–	–	–
Cash and cash equivalents at the end of the year		–	–	–

NOTES TO THE HISTORICAL FINANCIAL INFORMATION FOR THE YEAR ENDED 30 JUNE 2017**1. ACCOUNTING POLICIES**

The Historical Financial Information was prepared on the historical cost basis, unless otherwise indicated, in accordance with International Financial Reporting Standards and the requirements of the Companies Act (No. 71 of 2008), as amended. The accounting policies are consistent with those of the previous year.

1.1 Investments – Subsidiary companies

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Investments in subsidiaries are shown at cost.

1.2 Financial instruments

Financial instruments in the statement of financial position includes trade and other receivables, shareholders' loans and trade and other payables. Loans and trade and other payable are accounted for at amortised cost.

	2017 R	2016 R	2015 R
2. INVESTMENT – SUBSIDIARY COMPANY			
Listed shares at cost	84 000 000	84 000 000	84 000 000
Number of shares held – Distell Group Limited, South Africa	117 348 000	117 348 000	117 348 000
Market value of listed shares	16 077 849 480	18 986 906 400	19 593 595 560
3. STATED CAPITAL			
Authorised and issued			
100 Ordinary shares of no par value	100	100	100
4. SHAREHOLDERS' LOANS			
Unsecured interest-free loans with no fixed repayment conditions	83 999 900	83 999 900	83 999 900
5. CASH FLOW INFORMATION			
5.1 Adjustments			
Dividends received	(444 748 920)	(414 238 440)	(400 156 680)
5.2 Decrease/(increase) in working capital			
(Increase)/decrease in trade and other receivables	(684)	(684)	(570)
Increase/(decrease) in trade and other payables	684	684	570
	-	-	-

6. TAXATION

The Company has no taxable income and therefore no income tax has been provided for.

7. GROUP FINANCIAL INFORMATION

The Company has not consolidated the financial information of its subsidiary, Distell Group Limited as required by International Financial Reporting Standards IFRS 10: Consolidated Financial Statements, as all the shareholders have agreed to it and the cost of preparing these financials outweigh the benefits thereof and the consolidated financial statements of this group would have been a minor image of that of Distell Group Limited. The investment was recognised on a cost basis.

Users of this stand-alone Historical Financial Information should read it together with the consolidated financial statements of Distell Group Limited as at and for the years ended 30 June 2017, 30 June 2016 and 30 June 2015 in order to obtain full information on the financial position, financial performance and changes in equity of the Group as a whole. The audited financial statements of Distell Group Limited are included as Annexure B to this Prospectus.

8. FINANCIAL RISK MANAGEMENT

The Company has the following exposure to financial risks resulting from the use of financial instruments:

8.1 Credit risk

Credit risk is the risk of financial loss should a counterparty fail to meet its contractual obligations, and arises from credit exposure from outstanding debtors.

The risk in terms of outstanding debtors is low due to the size of the amounts involved.

8.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Flexibility in funding is ensured through the availability of shareholder facilities.

The Company's debt consists of amounts owing to its shareholders as well as to trade and other creditors. Exposure to liquidity risk is limited as the loans have no fixed terms of repayment and, in the case of trade and other payables, the size of the amounts involved.

8.3 Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and market prices of equity instruments will affect the Company's income.

Foreign currency risk

The Company has no transactions in foreign currency and as such is not exposed to any foreign currency exchange risk.

Interest rate risk

The Company has no exposure to interest rate risk as the loans payable to its shareholders are interest-free.

Price risk

The Company is not exposed to price risk as it does not have any investments in equity instruments that are accounted for at fair value.

8.4 Fair value

At 30 June 2017, 30 June 2016 and 30 June 2015 the fair value of financial assets and liabilities disclosed in the statement of financial position approximates their carrying value.

The fair value for level 1 financial assets and liabilities is determined by using observable inputs that reflect unadjusted quoted market prices for identical assets and liabilities.

8.5 Capital risk management

The shareholders' loans form part of the permanent capital of the Company and is therefore regarded as part of the total capital of the Company.

The Company has access to additional funding by way of shareholder loans should circumstances require that, or investment opportunities arise.

9. RELATED PARTY INFORMATION

Details of outstanding balances with and investments in related parties, are disclosed in notes 2 and 4.

The following transactions occurred with related parties during the years under review:

	2017 R	2016 R	2015 R
<i>Dividends received</i>			
Subsidiary company	444 748 920	414 238 440	400 156 680
<i>Dividends paid</i>			
Holding companies	444 748 920	414 238 440	400 156 680
<i>Directors</i>			
No Directors' emoluments were paid by the Company for the past financial year (2016 and 2015: R Nil). However, the following Directors received Directors' fees from Distell Group Limited:			
J J Durand	547 887	406 145	265 725
P R Louw	401 405	–	–
E G Matenge-Sebesho	508 030	121 217	–
C A Otto	457 355	324 290	202 725
	1 914 677	851 652	468 450

Shareholders

The major shareholders of the Company and their respective interests are shown below:

	% Interest Ordinary shares 2017	% Interest Ordinary shares 2016	% Interest Ordinary shares 2015
Capevin Holdings Limited	50	50	50
Remgro International Holdings Proprietary Limited	50	50	50
	100	100	100

10. KEY AUDIT MATTERS

The auditors have determined that there are no Key Audit Matters in respect of the Company since the Company itself is not a Public Interest Entity and will merely be an intermediate holding company in the proposed new structure.

Annexure B contains details of Key Audit Matters pertaining to Distell Group Limited, the only asset of this company and the main operating entity of the newly formed Distell Group Holdings Limited, in the event that the transaction is implemented.

Independent reporting accountant's audit report on the historical financial information of Remgro Capevin Investments (Pty) Limited

To the directors of Remgro Capevin Investments (Pty) Limited

Our qualified opinion

Business Venture Investments No 1997 Limited is issuing a prospectus to its shareholders ("the Prospectus") regarding the proposed restructuring and simplification of the multi-tiered shareholding structure of Distell Group Limited (the "Proposed Transaction").

In our opinion, except for the effects of the matter described in the Basis for qualified opinion section of our report, the historical financial information present fairly, in all material respects, the financial position of Remgro Capevin Investments (Pty) Limited (the Company) as at 30 June 2017, 30 June 2016 and 30 June 2015 and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards and the JSE Listings Requirements.

What we have audited

At your request and solely for the purpose of the Prospectus to be dated on or about 20 September 2017, Remgro Capevin Investments (Pty) Limited's historical financial information as set out in Annexure D of the Prospectus comprise:

- the statements of financial position as at 30 June 2017, 30 June 2016 and 30 June 2015;
- the income statements for the years then ended;
- the statements of comprehensive income for the years then ended;
- the statements of changes in equity for the years then ended;
- the statements of cash flow for the years then ended; and
- the notes to the historical financial information, which include a summary of significant accounting policies (collectively referred to as "Historical Financial Information")

Basis for qualified opinion

As outlined in note 7 to the Historical Financial Information, the company has not consolidated the financial information of its subsidiary, Distell Group Limited as required by International Financial Reporting Standards, IFRS 10: Consolidated Financial Statements, as all the shareholders have agreed to it and the cost of preparing these financials outweigh the benefits thereof. The investment was recognised on a cost basis.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Reporting accountant's responsibilities for the audit of the Historical Financial Information* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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P O Box 57, Stellenbosch 7599
T: +27 (21) 815 3000, F: +27 (21) 815 3100, www.pwc.co.za*

Chief Executive Officer: T D Shango
Management Committee: S N Madikane, J S Masondo, P J Mothibe, C Richardson, F Tonelli, C Volschenk
The Company's principal place of business is at 2 Eglin Road, Sunninghill where a list of directors' names is available for inspection.
Reg. no. 1998/012055/21, VAT reg.no. 4950174682

Independence

We are independent of the Company in accordance with the *Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B).

Purpose of this report

This report has been prepared for the purpose of the Prospectus and for no other purpose.

Responsibilities of the directors for the Historical Financial Information

The directors are responsible for the preparation and fair presentation of the Historical Financial Information in accordance with International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that are free from material misstatement, whether due to fraud or error.

In preparing the Historical Financial Information, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Reporting Accountant's responsibilities for the audit of the Historical Financial Information

Our objectives are to obtain reasonable assurance about whether the Historical Financial Information as a whole are free from material misstatement, whether due to fraud or error, and to issue a reporting accountant's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Historical Financial Information.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Historical Financial Information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our

auditor's report to the related disclosures in the Historical Financial Information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Historical Financial Information, including the disclosures, and whether the Historical Financial Information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



PricewaterhouseCoopers Inc.

Director: NH Döman
Registered Auditor
Stellenbosch

14 September 2017

EXTRACTS FROM DGHL'S MOI

Extracts from DGHL's MOI appears below. Paragraph numbers given below are paragraph numbers as they appear in the MOI.

6. AMENDMENTS TO THE MOI

- 6.1 Save where ordered by a court in terms of section 16(1)(a) or section 16(4) of the Act or for correcting errors substantiated as such from objective evidence or which are self evident errors (including, but without limitation *ejusdem generis*, spelling, punctuation, reference, grammar or similar defects) in this MOI, which the Board is empowered to do, all other amendments of the MOI must be approved by Special Resolution and shall be effected in accordance with section 16(1) of the Act and, if the Securities of the Company are listed on the JSE Exchange, in compliance with the Listings Requirements, if applicable.
- 6.2 Amendments to the MOI shall include, but not be limited to –
- 6.2.1 the creation of any class of Shares;
 - 6.2.2 the variation of any preferences, rights, limitation and other terms attaching to any class of Shares;
 - 6.2.3 the conversion of one class of Shares into one or more other classes;
 - 6.2.4 the increase of number of Securities;
 - 6.2.5 consolidation of Securities;
 - 6.2.6 sub-division of Securities; and
 - 6.2.7 the change of the name of the Company.
- 6.3 Notice of any correction made in terms of clause 6.1 must be given, which may be done by way of notification on the Company's website.

8. AUTHORISED SECURITIES

- 8.4 Unless otherwise provided by the terms of issue of the relevant class of Securities, all or any of the rights, privileges or conditions for the time being attached to any class of Securities of the Company may (whether or not the Company is being wound-up) be varied in any manner with the consent in Writing of the Securities Holders of not less than 75% (seventy-five percent) of the issued Securities of that class (provided that an amendment by written consent as aforesaid shall be valid only if permitted in terms of the Listings Requirements or with the consent of the JSE, if applicable), or with the sanction of a Special Resolution passed at a separate meeting of the Securities Holders of that class. The provisions of this MOI relating to Shareholders' Meetings shall *mutatis mutandis* apply to any such separate meeting of the Holders of the relevant class of Securities except that:
- 8.4.1 the necessary quorum to begin the meeting and consider the variation shall be 3 (three) Securities Holders Present holding at least 25% (twenty-five percent) of the Securities of that class;
 - 8.4.2 for so long as the Securities of the Company are listed on the JSE Exchange, once a quorum has been established, all the Securities Holders of the quorum must be Present to hear the matter;
 - 8.4.3 if a quorum is not Present, the meeting shall be adjourned to the 5th (fifth) Business Day thereafter and if, at such adjourned meeting of the Securities Holders, the required quorum contemplated in clause 8.4.1 is not Present, those Persons entitled to vote who are Present shall be a quorum; and
 - 8.4.4 unless provided otherwise in this MOI, a Securities Holder of the Securities to be varied shall have 1 (one) vote for each Security held.
- 8.5 The requirements in clause 8.4 are in addition to the usual requirements for any required amendment of this MOI. In addition to clause 8.4, but subject to clause 8.8, if any variation of any of the rights, privileges or conditions for the time being attached to any class of Shares of the Company is proposed, then such amendments shall not be implemented without a Special Resolution adopted by

the Securities Holders of Shares of the class to be varied at a separate meeting, and the Securities Holders of the class of Shares proposed to be varied (other than those classes of Shares which already grant the Securities Holder general Voting Rights at Shareholders' Meetings) shall vote with the Securities Holders of the Ordinary Shares in respect of any proposed Special Resolution of the Shareholders required to approve the variation and amend this MOI. Unless the terms of the class of Shares to be amended provide otherwise, a Holder of such class of Shares shall have 1 (one) vote for each Share held by him, provided that if the Securities are listed on the JSE Exchange –

8.5.1 the votes of such class of Shares shall not carry any special rights or privileges; and

8.5.2 the total Voting Rights of the Securities Holders of all Securities, other than Ordinary Shares and B Shares, shall not exceed 24.99% (twenty-four point nine nine percent) of the total Voting Rights of all Persons entitled to vote at such meeting.

8.7 As long as the Securities of the Company are listed on the JSE Exchange, the Securities of each class must rank *pari passu* in respect of all rights (and in this context, “securities in each class ... must rank *pari passu*” shall be understood to have the meaning attributed to the phrase in paragraph 3.29 of the Listings Requirements).

8.8 Notwithstanding the foregoing, without limitation, the authorisation and issue of more Securities of an existing class of Securities shall not be regarded as a variation of the rights, privileges or conditions of that class of Securities unless expressly stated otherwise in this MOI.

10. AUTHORITY TO ISSUE SECURITIES AND GRANT SPECIAL PRIVILEGES

The Board shall not, save to the extent expressly contemplated to the contrary herein, have the power to issue authorised Securities without prior approval by way of an Ordinary Resolution (or by way of Special Resolution in the circumstances contemplated in clauses 10.4 and 10.5).

13. PRE-EMPTION ON ISSUE OF EQUITY SECURITIES

Equity Securities of a particular class in the Company which are authorised but unissued and which are intended to be issued for cash, shall be offered to the existing Securities Holders of that class of Equity Securities, *pro rata* to their holdings of Equity Securities of that class, by way of a rights offer, in accordance with the process set out in the Listings Requirements and approved by the JSE, before the Equity Securities may be issued to other Persons for cash or otherwise than in the proportion mentioned above, unless:

13.1 the issue is pursuant to an employee share scheme (whether or not the scheme complies with section 97 of the Act) which has been approved by Shareholders in accordance with the Listings Requirements (if applicable), or pursuant to a transaction or series of transactions which has been approved by Shareholders, and which issue will occur in accordance with the provisions of the Listings Requirements, if applicable, including, without limitation, in respect of any black economic empowerment transaction so approved by Shareholders;

13.2 to the extent permitted by the Commission and subject to the prior approval of the JSE, with respect to Equity Securities that the Directors of the Company consider necessary or expedient to be excluded from the offer due to legal impediments or compliance with the requirements of any regulatory body of any territory recognised as having import on the offer;

13.3 the approvals contemplated in clause 10.1 have been obtained;

13.4 the holders of the Equity Securities of the Company provide their authorisation by way of a Special Resolution, in which circumstances such issue will, for as long as Equity Securities of the Company are listed on the JSE Exchange, in addition, only be permitted if the relevant corporate action has been approved by the JSE in respect of a specific issue of Equity Securities for cash for such Equity Securities in issue, and in respect of a general issue of Equity Securities for cash, for a fixed period of time thereafter in accordance with such general authority;

13.5 a capitalisation issue is to be undertaken in terms of section 47, including a Scrip Dividend;

13.6 subject to compliance with clause 10.1, an issue for an acquisition of assets (including the Securities of another company), a vendor consideration placing related to an acquisition of assets, or an issue for the purposes of an Amalgamation or Merger is to be undertaken;

13.7 the Equity Securities are to be issued in terms of an option or conversion rights, where such option or conversion rights have been duly authorised by Shareholders in terms of clause 10.3, 10.4 or 10.5; or

13.8 otherwise falls within a category in respect of which it is not, in terms of the Listings Requirements (if applicable), a requirement for the relevant Securities to be so offered to existing Shareholders; provided that if any fraction of an Equity Security will have to be issued, the provisions of clause 11 (*Fractional Entitlements*) shall apply.

23. SHAREHOLDERS' MEETINGS AND ROUND ROBIN RESOLUTIONS

23.18 The quorum for commencement of a Shareholders' Meeting (and, for as long as the Listings Requirements so require, for the meeting to continue) shall be sufficient Persons Present to exercise, in aggregate, at least 25% (twenty five percent) of all of the Voting Rights that are entitled to be exercised in respect of at least one matter to be decided at the Shareholders' Meeting and, in addition, the Shareholders' Meeting may not begin unless:

23.18.1 if the Company has more than 2 (two) Shareholders, at least 3 (three) Persons entitled to vote are Present; and

23.18.2 if the Company is a Subsidiary of a company, those constituting the quorum must include its Holding Company present in person.

23.19 A matter to be decided at the Shareholders' Meeting may not begin to be considered unless at least 25% (twenty-five percent) of all the Voting Rights that are entitled to be exercised in respect of the matter are Present and, in addition:

23.19.1 if the Company has more than 2 (two) Shareholders, at least 3 (three) Persons entitled to vote are Present; and

23.19.2 if the Company is a Subsidiary of a company, those constituting the quorum must include its Holding Company present in person.

23.20 If any shares of the Company are Listed and a resolution is proposed in order to meet a requirement of the Listing Requirements, then notwithstanding that the Securities Holders of Securities not listed on the JSE Exchange are entitled to be counted in the quorum as a matter of law, they shall nonetheless not be taken into account for the purposes of determining whether or not the quorum requirements of the Listings Requirements (if applicable) have been attained, provided that this clause 23.20 shall not apply in respect of the B Shares which shall be taken into account for the purposes of determining whether or not the quorum requirements of the Listings Requirements (if applicable) have been attained.

23.34 Every resolution of Shareholders is either an Ordinary Resolution or a Special Resolution. An Ordinary Resolution, save to the extent expressly provided in the Listings Requirements or in respect of a particular matter contemplated in this MOI, shall require to be adopted with the support of more than 50% (fifty percent) of the Voting Rights exercised on the resolution. A Special Resolution shall, save to the extent expressly provided in the Listings Requirements or in respect of a particular matter contemplated in this MOI, require to be adopted with the support of at least 75% (seventy five percent) of the Voting Rights exercised on the resolution.

23.35 In the event that any Shareholder abstains from voting in respect of any resolution, such Shareholder will:

23.35.1 be regarded as being Present for the purpose of determining whether sufficient Shareholders are present to constitute a quorum; and

23.35.2 for the purposes of determining the number of votes exercised in respect of that resolution, be deemed not to have exercised a vote in respect thereof.

23.36 Subject to any restrictions attaching to any class or classes of Securities (which restrictions are subject to the applicable Listings Requirements, if applicable), on a show of hands a Person entitled to vote, that is Present at the Shareholders' Meeting, shall have only 1 (one) vote irrespective of the number of Securities he holds or represents. A proxy shall, irrespective of the number of Securities Holders entitled to vote which he represents, have only 1 (one) vote on a show of hands. On a poll:

23.36.1 every Person entitled to vote who is Present at the Shareholders' Meeting shall have the number of votes determined in accordance with the Voting Rights associated with the Securities in question; and

23.36.2 a Shareholder holding Shares shall be entitled to 1 (one) vote in respect of each Share he holds,

provided that, for as long as any Securities of the Company are listed on the JSE Exchange, the total Voting Rights of the Securities Holders of all Securities, other than Ordinary Shares and B Shares and any special shares created for the purposes of black economic empowerment in terms of the Broad-Based Black Economic Empowerment Act (53 of 2004) and the codes promulgated under the aforementioned

Act, may not exceed 24.99% (twenty-four point nine nine percent) of the total Voting Rights of all Persons entitled to vote at such a meeting. If a resolution is proposed to meet the requirements of the JSE, notwithstanding that the Securities Holders of Securities that are not listed on the JSE Exchange shall be entitled to vote thereon as a matter of law, their votes shall not be taken into account for the purposes of determining whether or not the requirements of the JSE have been attained and the relevant resolution shall only be passed if the Listings Requirements are complied with.

25. ELECTION OF DIRECTORS AND ALTERNATE DIRECTORS AND VACANCIES

- 25.2 The minimum number of Directors shall be 9 (nine). Any failure by the Company at any time to have the minimum number of Directors does not limit or negate the authority of the Board, or invalidate anything done by the Board or the Company.
- 25.3 At the Annual General Meeting held each year, 1/3 (one third) of the Directors (excluding the managing director and any director referred to in clause 25.3.2 or 29.3), or if their number is not a multiple of 3 (three) then the number nearest to, but not less than, 1/3 (one third) shall retire from office.
- 25.3.1 The Directors so to retire at each Annual General Meeting shall be those who have been longest in office since their last election, provided that:
- 25.3.1.1 as between Directors of equal seniority, the Directors to retire shall, in the absence of agreement, be selected from among them by lot;
- 25.3.1.2 if at any Annual General Meeting any Director will have held office for 3 (three) years since his last election, he shall also retire at such Annual General Meeting.
- 25.3.2 Any Director appointed as such after the conclusion of the Company's preceding Annual General Meeting shall retire from office at the conclusion of the Annual General Meeting held immediately after his appointment unless re-elected in terms of clause 25.3.5.
- 25.3.3 A retiring Director shall act as a Director throughout the Annual General Meeting at which he retires.
- 25.3.4 The length of time a Director has been in office shall be computed from the date of his last election.
- 25.3.5 Retiring Directors, or any other Director whose term of office has or will expire, shall be eligible for re-election and, if re-elected, shall be deemed not to have vacated her/his office.
- 25.3.6 No person other than a Director retiring at the Annual General Meeting shall, unless recommended by the Directors for election, be eligible for election to the office of Director at any Annual General Meeting unless the relevant Resolution is called for in terms of section 65(3) or, not less than 5 (five) Business Days nor more than 30 (thirty) Business Days before the Annual General Meeting, there shall have been given to the secretary notice in Writing by a Securities Holder, duly qualified to be present and vote at the Annual General Meeting, of the intention of such Securities Holder to propose such person for election and also notice in Writing, signed by the person to be proposed, of her/his willingness to be elected.
- 25.3.7 For the avoidance of doubt, it is recorded that the executive Directors shall not be required to retire, but shall be subject to clauses 25.3.2, 25.15 and 29.3.
- 25.4 For as long as the Securities of the Company are listed on the JSE Exchange, life directorships and directorships for an indefinite period are not permissible.
- 25.5 In addition to clause 25.3, but subject to clause 25.3.2, a Director shall retire at the end of the first Annual General Meeting after the Director reaches the retirement age determined from time to time by the Board.
- 25.7 Each of the Directors and the Alternate Directors, other than a Director contemplated in clause 25.14 or an Alternate Director contemplated in clause 25.15, shall be elected (which in the case of a vacancy arising shall take place at the next Annual General Meeting), in accordance with clause 25.11. Subject to clause 25.17, an Alternate Director shall serve in the place of 1 (one) or more Director/s named in the resolution electing her/him during the Director's/s' absence or inability to act as Director. If a person is an Alternate Director to more than 1 (one) Director or if an Alternate Director is also a Director, he shall have a separate vote, on behalf of each Director he is representing, in addition to her/his own vote, if any.
- 25.8 There are no general qualifications prescribed by the Company for a person to serve as a Director or an Alternate Director in addition to the requirements of the Act. The Board, with the assistance of Remuneration Committee, where such assistance is considered appropriate by the Board, must

make recommendations to the Securities Holders regarding the eligibility of persons nominated for election as Directors, taking into account their past performance and contribution, if applicable. A brief curriculum vitae of each person standing for election or re-election as a Director at a Shareholders' Meeting or the Annual General Meeting must accompany the notice of the meeting.

27. REMUNERATION OF DIRECTORS AND MEMBERS OF BOARD COMMITTEES

- 27.1 The Directors or members of Board committees shall be entitled to be paid such remuneration for their services as Directors or members of Board committees as may be approved from time to time by Special Resolution within the previous 2 (two) years. In addition, the Directors may be paid all their reasonable expenses properly and necessarily incurred by them in and about the business of the Company, in particular for travelling to and from meetings of the Board committees, as determined by a disinterested quorum of Directors, which may be either in addition to or in substitution for any other remuneration.
- 27.2 A Director or Alternate Director may hold office or be employed in any other capacity in the Company (other than as Director) or as a director or employee of a company controlled by, or itself a Subsidiary of the Company, and in that event, his appointment and remuneration in respect of such other office or employment must, in addition to any other approvals required in terms of the Act, be determined by a disinterested quorum of Directors.

29. GENERAL POWERS AND DUTIES OF DIRECTORS

- 29.1 Subject to any provision to the contrary of this MOI, the Act and the Listings Requirements, if applicable, the powers of management granted to the Board in terms of section 66(1) of the Act are limited in that the powers of management granted to the Directors are subject to, and must be consistent with, any resolution passed at any Shareholders' Meeting, provided that no resolution passed by the Company in a Shareholders' Meeting shall, however, invalidate any prior act of the Directors which would have been valid, if such resolution had not been passed.
- 29.2 Subject to compliance with the requirements of the Act, the Directors may:
- 29.2.1 establish and maintain any non-contributory or contributory pension, superannuation, provident and benefit funds for the benefit of; and
 - 29.2.2 give pensions, gratuities and allowances to and make payments for or towards the insurance of,

any persons who are employees or office bearers or ex-employees or ex-office bearers (including Directors or ex-Directors) of the Company, or of any company which is or was a Subsidiary of the Company or is or was in any way allied to or associated with it or any such Subsidiary, and the wives, widows, families and dependants of such persons.
- 29.3 Subject to the provisions of the Act and the Listing Requirements, if applicable, the Board may from time to time appoint one or more Directors as executive Directors. The Board (in complying with clause 32 (*Personal Financial Interests of Directors and Members of Board Committees*)) may also from time to time appoint one or more of the Directors to the office of managing Director or manager (provided always that the number of executive Directors so appointed, including managing Director or joint managing Directors and/or the holders of any other executive office, including a chairperson who holds an executive office but not a chairperson who is a non-executive Director, shall at all times be less than $\frac{1}{2}$ (one half) of the number of Directors in office (excluding Alternative Directors)) for such period not exceeding 5 (five) years and at such remuneration (whether by way of salary or commission, or participation in profits or partly in one way and partly in another) and generally on such terms they may think fit, and it may be made a term of his appointment that he be paid a pension, gratuity or other benefit on his retirement from office provided that if such remuneration is for their services in their capacities as Directors (as opposed to employees or other officers), then approval by way of Special Resolution is required.

35. DISTRIBUTIONS

- 35.1 Subject to clause 35.9, the Company may make Distributions from time to time, provided that:
- 35.1.1 such Distribution complies with the requirements of the Act, and:
 - 35.1.1.1 is pursuant to an existing legal obligation of the Company, or a court order; or
 - 35.1.1.2 has been authorised by the Board, by resolution; and
 - 35.1.2 for as long as any of the Securities of the Company are listed on the JSE Exchange, such distribution shall be in accordance with the Listings Requirements;

- 35.1.3 such Distribution is authorised in accordance with section 48 of the Act in respect of the repurchase of Shares by the Company;
- 35.1.4 such Distribution is fully completed within 120 (one hundred and twenty) Business Days after the acknowledgement contemplated in the Act and made by the Board in terms of clause 35.1.1.2, failing which it must again comply with the requirements of clause 35.1.1; and
- 35.1.5 if it is a distribution of capital, the Company shall not oblige the recipient to subscribe for such capital again.

44. **WINDING-UP**

44.1 If the Company is wound-up, whether voluntarily or compulsorily:

- 44.1.1 the assets remaining after payment of the liabilities of the Company and the costs of winding-up shall be distributed amongst the Shareholders in proportion to the number of Ordinary Shares respectively held by them, subject to the rights of any Securities Holders to whom Securities have been issued on special conditions or which rank ahead of the Ordinary Shares in this regard; and
- 44.1.1 the liquidator, with the authority of a Special Resolution, may divide amongst the Shareholders *in specie* or kind the whole or any part of the assets (and whether or not those assets consist of property of one kind or different kinds), or may, with the same sanction, be vested in trustees for the benefit of such Shareholder, subject to the rights of any Securities Holders to whom Securities have been issued on special conditions or which rank ahead of the Ordinary Shares in this regard, and the liquidation of the Company may be closed and the Company dissolved.

B SHARE TERMS

RIGHTS, PRIVILEGES AND CONDITIONS ATTACHING TO THE B SHARES

The B Shares shall carry the following rights and privileges and shall be subject to the following conditions –

1. DEFINITIONS

- 1.1 In this Schedule 2, unless the context indicates a contrary intention, capitalised terms not defined in this Schedule 2 have the meanings given thereto in the MOI, and the following words and expressions shall bear the meanings assigned to them below and cognate words and expressions shall bear corresponding meanings –
- 1.1.1 “**Act in Concert**” shall bear the meaning ascribed thereto in section 117(b) of the Act construed *mutatis mutandis*, and the phrase “**Acting in Concert**” shall be construed accordingly;
 - 1.1.2 “**B Share Holding Ratio**” means, immediately after the linking of the B Shares to the Linked Ordinary Shares in terms of clause 8.1 of this Schedule 2, the ratio of 2.117 (two point one one seven) B Shares for every 1 (one) Linked Ordinary Share held by the B Shareholder(s), which ratio may change from time to time in accordance with clause 9.2 following an Adjustment Event;
 - 1.1.3 “**B Shares**” means the unlisted, non-convertible, no par value B Shares which the Company is authorised to issue and allot, having the rights, privileges and conditions set out in this Schedule 2;
 - 1.1.4 “**B Shareholder(s)**” means the holder(s) of B Shares from time to time;
 - 1.1.5 “**Call Option**” means, when used in relation to B Shares, the irrevocable and unconditional right and option which each B Shareholder grants to the Company in terms of which the Company is, at its election, entitled to oblige that B Shareholder to sell its B Shares to the Company, each for an amount equal to the Nominal Issue Price, upon the happening of an Option Event on the terms set out in this Schedule 2;
 - 1.1.6 “**Capevin Holdings Limited**” means Capevin Holdings Limited, a company incorporated in accordance with the laws of South Africa, with registration number 1997/020857/06;
 - 1.1.7 “**Capevin Scheme**” means the scheme of arrangement implemented between the Company, Capevin and Capevin’s shareholders in and during the last quarter of 2017 in terms of which Capevin shareholders were issued Ordinary Shares in the Company in exchange for the shares in Capevin held by such shareholders;
 - 1.1.8 “**Combined Parties**” means, when used in relation to a Person (whether such person is a B Shareholder, a Transferor or a Transferee), any Person(s) who is/are Related to or who is/are Acting in Concert with such first Person;
 - 1.1.9 “**Disposal**” or “**Transfer**” means the sale, alienation, transfer, donation or other conveyance of the relevant Share or any part thereof including, without limitation, any rights attaching thereto and shall include any agreement or arrangement howsoever described to give effect to the foregoing, and the expressions “**Dispose**”, “**Disposal**”, “**Transfer**” or “**Transferred**” shall be construed accordingly;
 - 1.1.10 “**Linked Ordinary Shares**” means, immediately after implementation of the Remgro Exchange, the 58 674 000 (fifty-eight million six hundred and seventy-four thousand) Ordinary Shares held by Remgro Beverages (referred to in clause 8.1) which are linked to B Shares in accordance with the provisions of this Schedule 2, which number of Ordinary Shares may increase or decrease, as the case may be, following an Adjustment Event and which Ordinary Shares are subject to the restrictions on disposal described in clause 6 below;
 - 1.1.11 “**MOI**” means the Memorandum of Incorporation to which this Schedule 2 is attached;
 - 1.1.12 “**Nominal Issue Price**” means, in relation to each B Share, an amount of R0.00001 (zero point zero zero zero zero one rand);

- 1.1.13 **“Option Event”** means, when used in respect of the B Shares –
- 1.1.13.1 if there is no B Shareholder that, together with its Combined Parties, holds more than 25% (twenty-five percent) of the Total Voting Rights; or
 - 1.1.13.2 if the relevant B Shareholder fails to notify the company secretary in writing of a Disposal of B Shares, prior to such Disposal, as contemplated in clause 6 below; or
 - 1.1.13.3 if the relevant B Shareholder Disposes of any Linked Ordinary Shares on-market (which, for the avoidance of doubt, shall be via the JSE’s normal order book); or
 - 1.1.13.4 if the relevant B Shareholder Disposes of any B Shares without also Disposing of the corresponding number of Linked Ordinary Shares as contemplated in clause 8.1 below; or
 - 1.1.13.5 if the relevant B Shareholder Disposes of any B Shares, together with a corresponding number of Linked Ordinary Shares, and the Transferee, together with such Transferee’s Combined Parties, does not, after the Disposal, hold more than 25% (twenty-five percent) of the Total Voting Rights;
 - 1.1.13.6 if the relevant B Shareholder Disposes of any B Shares, together with a corresponding number of Linked Ordinary Shares, and as a result of such Disposal, such B Shareholder together with its Combined Parties no longer holds more than 25% (twenty-five percent) of the Total Voting Rights; or
 - 1.1.13.7 if, as a result of a transaction (or a series of integrated transactions, as contemplated in section 41(4)(b) of the Act) relating to the Disposal of B Shares, together with a corresponding number of Linked Ordinary Shares, immediately after implementing such transaction (or the culmination of a series of integrated transactions, as contemplated in section 41(4)(b) of the Act):
 - 1.1.13.7.1 the combined voting rights of the Transferor together with its Combined Parties comprise more than 25% (twenty-five percent) of the Total Voting Rights; and
 - 1.1.13.7.2 the combined voting rights of the Transferee(s), together with its/their Combined Parties, comprise more than 25% (twenty-five percent) of the Total Voting Rights, and such Transferee has, at its sole discretion, elected not to make an offer to all of the other holders of the Ordinary Shares *mutatis mutandis* in accordance with section 123 of the Act;
- 1.1.14 **“Ordinary Shareholders”** means the holders of Ordinary Shares;
- 1.1.15 **“Ordinary Shares”** means the ordinary shares which the Company is authorised to issue, having the rights, privileges and conditions set out in the MOI;
- 1.1.16 **R”** or **“Rand”** means South African Rand, the official currency of South Africa;
- 1.1.17 **“Related”** shall have the meaning ascribed thereto in section 2 of the Act;
- 1.1.18 **“Remgro Beverages”** means Remgro Beverages Proprietary Limited, a company incorporated in accordance with the laws of South Africa, with registration number 2016/394940/07;
- 1.1.19 **“Remgro Exchange”** mean the transaction to be implemented between Remgro International and Remgro Beverages immediately after implementation of the Capevin Scheme, in terms of which Remgro International will transfer the Ordinary Shares issued to it by the Company in terms of the Capevin Scheme to Remgro Beverages in exchange for the issue by Remgro Beverages to Remgro International of ordinary shares in Remgro Beverages;
- 1.1.20 **“Remgro International”** means Remgro International Proprietary Limited, a company incorporated in accordance with the laws of South Africa, with registration number 1968/006356/07, a wholly-owned Subsidiary of Remgro Limited;
- 1.1.21 **“Remgro Limited”** means Remgro Limited, a company incorporated in accordance with the laws of South Africa, with registration number 1968/006415/06, and/or any of its Subsidiaries from time to time;
- 1.1.22 **“Subsidiary”** shall have the meaning ascribed thereto in section 3 of the Act, and the phrase **“Subsidiaries”** shall be construed accordingly;
- 1.1.23 **“Total Voting Rights”** means the aggregate of all voting rights which are exercisable by the holders of all Ordinary Shares (including Linked Ordinary Shares) and B Shares in respect of any matter to be decided on by the Company;
- 1.1.24 **“Transferee”** shall mean the person(s) who receives Transfer of the relevant Shares, in the context of the clause in which is it used; and

1.1.25 “**Transferor**” shall mean the person(s) who gives Transfer of the relevant Shares, in the context of the clause in which it is used.

2. WINDING-UP AND RETURN OF CAPITAL

On a winding-up of the Company, the B Shareholder(s) shall be entitled to be paid, before any payment or distribution is made to the holders of Ordinary Shares, an amount equal to the Nominal Issue Price for each B Share held by such B Shareholder. Save as aforesaid and as further provided for in this Schedule 2, the B Shares shall not carry the right, on a winding-up of the Company or on any return or reduction of capital, whether in cash or of assets *in specie*, to the payment or repayment of any amount or any assets of the Company.

3. NO PARTICIPATION

The B Shares do not entitle the holders thereof to any participation in the profits of the Company or any distribution of the assets or capital of the Company, save as provided for in clause 2 of this Schedule 2.

4. VOTING

- 4.1 Each B Share shall confer on its holder the right to vote, whether at a meeting or by written vote, on each and every matter to be decided on by the Company.
- 4.2 At every General Meeting or adjourned General Meeting of the Company at which Ordinary Shareholders and B Shareholders are present and entitled to vote on any particular matter, upon a poll, or in respect of any written resolution contemplated in section 60 of the Act on which the Ordinary Shareholders and the B Shareholders are entitled to vote, each B Shareholder shall, in respect of that particular matter, be entitled to exercise 1 (one) vote for every B Share held.
- 4.3 Any B Shareholder shall, by giving written notice to that effect to the Company at any time, be entitled to require the Company, which shall thereupon be obliged, to call a general meeting of its Shareholders, or any class of them, to consider any matter (including, without limitation, a resolution requiring the Company to comply with its obligations to the B Shareholders) and any such resolution adopted at a meeting of all Shareholders of the Company shall, notwithstanding anything to the contrary contained in the MOI, be binding upon and be given effect to by the Company and the Directors.

5. MODIFICATION OF THE TERMS OF THE B SHARES

The terms of the B Shares may not be modified without a Special Resolution amending the MOI, which Special Resolution must be approved by Shareholders holding:

- 5.1 at least 75% (seventy-five percent) of the voting rights exercised on the resolution (which, for the avoidance of doubt, shall include the B Shareholders); and
- 5.2 at least 75% (seventy-five percent) of the voting rights exercised at a separate class meeting comprised of the B Shareholders only, or on a written resolution in respect of which only the B Shareholders are entitled to vote.

6. ISSUE AND NOTIFICATION OF TRANSFER OF B SHARES

- 6.1 Notwithstanding anything to the contrary in the MOI, all B Shares shall be issued and held in certificated form and the provisions of clause 14.13 of the MOI shall not apply to the release of share certificates in respect of the B Shares.
- 6.2 No B Shareholder shall be entitled to Dispose of, or Transfer, its B Shares or any of them (together with the corresponding number of Linked Ordinary Shares, as determined in accordance with the B Share Holding Ratio), unless and until it has notified the company secretary in writing thereof and any failure by a B Shareholder to so notify the company secretary will, on the date of Transfer or Disposal of such B Shares, constitute an Option Event, which shall result in immediate cancellation of the voting rights attaching to such B Shares in accordance with the provisions of clause 7 below.

7. CALL OPTION AND CESSATION OF B SHARE VOTING RIGHTS

- 7.1 On the occurrence of an Option Event, the voting rights which attach to the B Shares, in respect of which the Option Event applies, shall immediately cease to be of force and effect and the B Shareholder(s) concerned hereby undertake(s) and agree(s) not to exercise or purport to exercise such voting rights which attach to the B Shares in respect of which the Option Event applies. For the avoidance of doubt:

- 7.1.1 the occurrence of the Option Event set out in clause 1.1.13.1 above shall result in the cessation of the voting rights attaching to all B Shares in issue;
- 7.1.2 the occurrence of the Option Events set out in clauses 1.1.13.2, 1.1.13.3, 1.1.13.4, 1.1.13.5 or 1.1.13.6 above shall result in the cessation of the voting rights attaching only to those B Shares:
 - 7.1.2.1 the Disposal of which the company secretary was not notified of, in terms of clause 6.2 above, read with clause 1.1.13.2 above;
 - 7.1.2.2 linked to the relevant Linked Ordinary Shares which were Disposed of on-market, in terms of clause 1.1.13.3 above;
 - 7.1.2.3 which were Disposed of, without the corresponding number of Linked Ordinary Shares also being Disposed of, in terms of clause 8.1 below read with clause 1.1.13.4 above; or
 - 7.1.2.4 which were Disposed of to a Transferee who, together with such Transferee's Combined Parties, does not, after such Disposal, hold more than 25% (twenty-five percent) of the Total Voting Rights in accordance with clause 1.1.13.5 above; or
 - 7.1.2.5 which are retained by a B Shareholder in circumstances where such B Shareholder has Disposed of B Shares, together with the corresponding number of Linked Ordinary Shares, and as a result of such Disposal, the relevant B Shareholder, together with such B Shareholder's Combined Parties, no longer holds more than 25% (twenty-five percent) of the Total Voting Rights, as contemplated in clause 1.1.13.6 above;
- 7.1.3 the occurrence of the Option Event set out in clause 1.1.13.7 above shall result in the cessation of the voting rights attaching to those B Shares held by the Transferee together with all of the B Shares held by such Transferee's Combined Parties with effect from the date of Transfer.
- 7.2 Notwithstanding anything to the contrary in the MOI, each B Shareholder irrevocably grants the Company the Call Option, exercisable at the Company's election, to repurchase:
 - 7.2.1 on the occurrence of the Option Event set out in clause 1.1.13.1 above, all of the B Shares in issue;
 - 7.2.2 on the occurrence of the Option Events set out in clauses 1.1.13.2, 1.1.13.3, 1.1.13.4, 1.1.13.5 or 1.1.13.6 above, all of those B Shares:
 - 7.2.2.1 the Disposal of which the company secretary was not notified of, in terms of clause 6 above, read with clause 1.1.13.2 above; or
 - 7.2.2.2 linked to the relevant Linked Ordinary Shares which were Disposed of on-market, in terms of clause 1.1.13.3 above;
 - 7.2.2.3 which were Disposed of, without the corresponding number of Linked Ordinary Shares also being Disposed of, in terms of clause 8.1 below read with clause 1.1.13.4 above;
 - 7.2.2.4 which were Disposed of to a Transferee who, together with such Transferee's Combined Parties, does not, after such Disposal, hold more than 25% (twenty-five percent) of the Total Voting Rights in accordance with clause 1.1.13.5 above; or
 - 7.2.2.5 which are retained by a B Shareholder in circumstances where such B Shareholder has Disposed of B Shares, together with the corresponding number of Linked Ordinary Shares, and as a result of such Disposal, such B Shareholder, together with such B Shareholder's Combined Parties, no longer holds more than 25% (twenty-five percent) of the Total Voting Rights, as contemplated in clause 1.1.13.6 above;
 - 7.2.3 on the occurrence of the Option Event set out in clause 1.1.13.7 above, and provided that the Transferee has, at its sole discretion, elected not to make an offer to all other holders of Ordinary Shares on the date of Transfer *mutatis mutandis* in accordance with section 123 of the Act, all of those B Shares held by the Transferee, together with such Transferee's Combined Parties in respect of that Option Event,

at any time on or after the happening of the relevant Option Event and for an amount equal to the Nominal Issue Price per B Share.

- 7.3 In circumstances where the Transferee elects to make an offer as provided for in clause 1.1.13.7.2 read with clause 7.2.3 above (or where the Transferee is obliged to do so under section 123 of the Act), subject to the applicable provisions of the Act and the Regulations, the full consideration payable by

the Transferee to the Transferor under the transaction which triggers the offer in question shall be attributable to the Ordinary Shares forming the subject matter of such offer and no consideration shall be attributable to the B Shares.

- 7.4 The Company shall, subject to the passing of any and all Shareholders' resolutions and the fulfilment of any and all other legal requirements (if any) required to authorise the exercise of the Call Option, be entitled to exercise the Call Option at any time after the occurrence of an Option Event and repurchase all of the relevant B Shares in terms thereof.
- 7.5 Immediately following fulfilment of all legal requirements (if any) required to authorise the exercise of the Call Option, the Company shall be entitled to exercise the Call Option by giving written notice to that effect to the relevant B Shareholder(s). Any exercise of such option by the Company shall be subject to all legally necessary consents and approvals being obtained. The Company shall pay the relevant B Shareholder an amount equal to the Nominal Issue Price for each B Share repurchased against implementation of the repurchase. The relevant amount shall be paid in cash by way of electronic funds transfer into such bank account as may be recorded by the Company in its records in respect of that B Shareholder. The B Shareholder shall be obliged to surrender to the Company the share certificate/s for the B Shares (or, if such certificate/s has/have been lost or destroyed, proof of such loss or destruction to the reasonable satisfaction of the company secretary) upon receipt of payment of the relevant amount in relation to any B Shares.
- 7.6 The company secretary may from time to time require a B Shareholder to furnish the Company with documentary proof, to the company secretary's reasonable satisfaction, of the relationship between the relevant B Shareholder and other Shareholder(s) who are such B Shareholder's Combined Parties, and the onus of proving such a relationship(s) (as Combined Parties) shall rest on the relevant B Shareholder.

8. GENERAL

- 8.1 Following the implementation of the Remgro Exchange, Remgro Beverages will hold 124 226 613 (one hundred and twenty-four million two hundred and twenty-six thousand six hundred and thirteen) B Shares and Ordinary Shares, of which 58 674 000 (fifty eight million six hundred and seventy-four thousand) Ordinary Shares will be linked to the aforesaid B Shares with the result that 1 (one) Linked Ordinary Share will be linked to 2.117 (two point one one seven) B Shares.
- 8.2 The Board shall resolve to issue and allot B Shares initially only to Remgro Beverages in accordance with clause 8.1, and thereafter from time to time only to the B Shareholders in such circumstances as may be expressly contemplated and provided for in this Schedule 2. For the avoidance of doubt, the Board does not have any authority to issue and allot B Shares in circumstances not expressly contemplated herein.
- 8.3 A B Shareholder may only dispose of B Shares if, in the same transaction, the *pro rata* number of Linked Ordinary Shares held by that B Shareholder (as determined in accordance with the B Share Holding Ratio) are also disposed of and *vice versa*. Ordinary Shares held by a B Shareholder may be disposed of off-market (i.e. not via the JSE's order book) or on-market (i.e. via the JSE's order book), subject to the provisions of clause 7 above. Each B Shareholder must at all times following implementation of the Remgro Exchange hold the B Share Holding Ratio of Linked Ordinary Shares to B Shares.
- 8.4 Notwithstanding the provisions of clause 11 (Fractional Entitlements) of the MOI, if the requirement to apply the B Share Holding Ratio to any Disposal of B Shares and/or Linked Ordinary Shares, or the occurrence of any Adjustment Event, results in a situation where a fraction of a B Share is to be Disposed of, issued or repurchased, as the case may be, then the aggregate number of B Shares to be Disposed of, issued or repurchased, as the case may be, will be rounded down to the nearest whole B Share.

For the avoidance of doubt, it is recorded that the application of this clause 8.4 may impact the B Share Holding Ratio in a manner similar to that contemplated in clause 9.2, in which event the ratio of Linked Ordinary Shares to B Shares after the application of this clause 8.4 shall be determined and such ratio shall, thereafter, be the B Share Holding Ratio.

- 8.5 In the event that:
- 8.5.1 the voting rights attaching to all of the issued B Shares have ceased to be of force and effect, in terms of clause 7.1 above; or
- 8.5.2 all of the issued B Shares have been repurchased by the Company in terms of clause 7.2 above (such that no B Shares are any longer in issue),

then, for the avoidance of doubt, the Company shall thereafter no longer issue and allot B Shares, notwithstanding the number of authorised but unissued B Shares.

9. ADJUSTMENT

- 9.1 For the purpose of this clause 9 an “**Adjustment Event**” includes but is not limited to –
- 9.1.1 a restructure of the Ordinary Share capital of the Company;
 - 9.1.2 any corporate action or event howsoever described –
 - 9.1.2.1 pursuant to which further Ordinary Shares are allotted and issued to all or any holders of Ordinary Shares (including, without limitation, B Shareholders in respect of their Linked Ordinary Shares); or
 - 9.1.2.2 in which all holders of Ordinary Shares have a right or entitlement to participate in a further issue of Ordinary Shares, to the extent that B Shareholders have exercised such right or entitlement in respect of their Linked Ordinary Shares; or
 - 9.1.2.3 pursuant to which Ordinary Shares are repurchased from all holders of Ordinary Shares (including, without limitation, the Linked Ordinary Shares of B Shareholders); or
 - 9.1.2.4 in which all holders of Ordinary Shares have a right or entitlement to participate in a repurchase of some or all of their Ordinary Shares, to the extent that B Shareholders have exercised such right or entitlement in respect of their Linked Ordinary Shares; and
 - 9.1.3 a combination of any one or more of the events referred to in 9.1.1 or 9.1.2.
- 9.2 The intention of this clause 9 is to ensure that the B Shareholders continue to exercise the same proportion of the Total Voting Rights after the occurrence of an Adjustment Event as they did prior to the occurrence of the Adjustment Event, i.e. that there is no unwarranted dilution or accretion of voting rights of the B Shareholders, and the provisions of this clause 9 shall be implemented in accordance with this intention. Accordingly, in the event of a corporate event or in respect of an alteration of the capital of the Company, which has the effect of increasing or decreasing the number of Ordinary Shares held by any B Shareholder (and which Ordinary Shares must, in the circumstances, be linked to or de-linked from B Shares in accordance with clause 9.3.1 or 9.3.2 respectively), the number of B Shares held by such B Shareholder shall be increased or decreased in terms of clause 9.3, as the case may be, to maintain the same proportion of Total Voting Rights before and after the Adjustment Event. Following such adjustment, the ratio of Linked Ordinary Shares to B Shares shall be determined and such ratio shall, thereafter, be the B Share Holding Ratio.
- 9.3 Having regard to clause 9.2 and notwithstanding any other provision of the MOI, if an Adjustment Event occurs and such Adjustment Event results in –
- 9.3.1 the B Shareholders or any 1 (one) or more of them, as the case may be, being entitled to exercise a smaller proportion of the Total Voting Rights after the occurrence of the Adjustment Event than immediately prior to the occurrence of the Adjustment Event, then such number of new B Shares as will result in the B Shareholders or the relevant B Shareholder/s, as the case may be, exercising the same proportion of the Total Voting Rights as they would have, had the Adjustment Event not occurred, will be allotted and issued to the B Shareholders or the relevant B Shareholder/s, as the case may be, against payment of a subscription price equal to the Nominal Issue Price per B Share issued in terms of clause 9.3.1;
 - 9.3.2 the B Shareholders or any 1 (one) or more of them, as the case may be, being entitled to exercise a greater proportion of the Total Voting Rights after the occurrence of the Adjustment Event than immediately prior to the occurrence of the Adjustment Event, then the Company shall have the right and option to repurchase such number of B Shares from the B Shareholders or the relevant B Shareholder/s, as the case may be, as will result in the B Shareholders or the relevant B Shareholder/s, as the case may be, exercising the same proportion of the Total Voting Rights as they would have, had the Adjustment Event not occurred. The aforesaid right and option to repurchase shall be at a repurchase price equal to the Nominal Issue Price per B Share and otherwise in accordance with clause 7.2 above, which shall apply *mutatis mutandis*. For the avoidance of doubt, any Linked Ordinary Shares linked to B Shares which are repurchased in terms of this clause 9.3.2 shall, immediately upon implementation of the Adjustment Event in question, become de-linked and shall, accordingly, no longer be Linked Ordinary Shares but simply Ordinary Shares. The voting rights attaching to any and all B Shares which the Company is entitled to repurchase in terms of this clause 9.3.2 shall cease to be of force and effect immediately following implementation of the adjustment pursuant to the Adjustment Event in question.

9.4 For the avoidance of doubt, it is recorded that –

9.4.1 without limiting the meaning of “Adjustment Event” as defined in clause 9.1, the following capital restructures or corporate actions and events shall constitute an Adjustment Event, namely –

9.4.1.1 a sub-division or consolidation of Ordinary Shares;

9.4.1.2 a rights issue in respect of Ordinary Shares, to the extent that B Shareholders follow their rights in respect of their Linked Ordinary Shares;

9.4.2 the following and similar corporate actions and events shall not constitute an Adjustment Event –

9.4.2.1 any issue of Ordinary Shares in which all Ordinary Shareholders would not be entitled to participate including, without limitation, any issue of Ordinary Shares under any employee incentive scheme;

9.4.2.2 any acquisition issue of Ordinary Shares;

9.4.2.3 any vendor consideration placing of Ordinary Shares;

9.4.2.4 any issue of Ordinary Shares for cash or to settle any indebtedness, liability, obligation, commitment, expense or the like;

9.4.2.5 any amalgamation or merger in accordance with section 113 of the Act; and

9.4.2.6 any rights issue to the extent that the B Shareholders do not follow their rights in respect of their Linked Ordinary Shares.

9.5 For the further avoidance of doubt, if in the context of clauses 9.1.2.1, 9.1.2.3 or 9.4.1.2, the B Shareholders or any 1 (one) or more of the B Shareholder/s, as the case may be, exercise their rights or entitlements in respect of some (and not all) of their Linked Ordinary Shares only, then the relevant corporate action or event shall only constitute an Adjustment Event in respect of those Linked Ordinary Shares in respect of which the rights or entitlements were exercised. In order to effect the adjustment contemplated in clause 9.3 in such circumstances, a calculation shall be made of how many B Shares would have been issued or repurchased, as the case may be, had the B Shareholders or the relevant B Shareholder/s, as the case may be, exercised such rights or entitlements in respect of all of their Linked Ordinary Shares, and such number of B Shares shall be reduced or increased, as the case may be, *pro rata* according to the proportion in which such rights or entitlements were not exercised.

10. **ISSUE OF CAPITALISATION SHARES AND PRE-EMPTION ON ISSUE**

10.1 For purposes of clause 10.8 and 37 of the MOI, any B Shares held by a Shareholder shall be excluded and shall not be taken into account when determining the number of Ordinary Shares to be issued to each Ordinary Shareholder, if the Board elects to issue Ordinary Shares on a proportional basis to Shareholders or to offer a cash payment *in lieu* of awarding such proportional capitalisation Shares. For the avoidance of doubt, the issue of Ordinary Shares as aforesaid may constitute an Adjustment Event for purposes of clause 9 above.

10.2 Notwithstanding anything to the contrary, the provisions of clause 13 of the MOI shall not apply in respect of the issue of B Shares. For the avoidance of doubt, this means that the Ordinary Shareholders shall not have, and accordingly shall not be entitled to exercise, any pre-emptive rights in respect of the issue of B Shares.

TABULAR SUMMARY OF THE B SHARE TERMS

KEY B SHARE TERMS

Key Term	B Share terms
Class of Shares	<ul style="list-style-type: none"> Unlisted, non-convertible, no par value shares Voting rights but no economic participation (save as detailed below) Issued at a nominal value of R0.00001 (zero point zero zero zero zero one Rand) per B Share B Shares will be linked to the Linked Ordinary Shares (collectively, for purposes of this Annexure, “B/Linked Ordinary Shares”) immediately after implementation of the Remgro Exchange and cannot be traded separately from each other To be issued in a pre-determined ratio of B Shares to Ordinary Shares, namely the B Share Ratio which is 2.117 (two point one one seven) B Shares for every 1 (one) Linked Ordinary Share
Voting Rights	<ul style="list-style-type: none"> B Shares will provide additional voting rights to ensure that the Remgro Group retains the same level of voting control in DGHL after the implementation of the Transaction as the Remgro Group will enjoy after the implementation of the RCI Exchange, namely 52.8% (fifty-two point eight percent) of the total voting rights in Distell
Economic Rights	<ul style="list-style-type: none"> The B Shares will not have any economic rights, save and except for the right (i) upon a repurchase, to be repaid their issue price; and (ii) upon a winding up of DGHL, to be repaid their issue price in priority to any liquidation payment or distribution to the Ordinary Shareholders <ul style="list-style-type: none"> Not entitled to participate in any profits of DGHL Not entitled to any dividends from DGHL
Administering B Shares	<ul style="list-style-type: none"> Disposal or transfer of B/Linked Ordinary Shares held by a B Shareholder must be as follows: <ul style="list-style-type: none"> Linked Ordinary Shares (linked to B Shares): can be on- or off-market, but if effected on-market, or off-market without a transfer of the B Shares linked to those Ordinary Shares, the voting rights attaching to the B Shares linked to such Linked Ordinary Shares will immediately cease and DGHL will be entitled repurchase such B Shares, plus B Shares (linked to Linked Ordinary Shares): must be off-market In order to ensure the “linked” nature of the B/Linked Ordinary Shares, the DGHL company secretary must be informed of any proposed disposal of B/Linked Ordinary Shares prior to such disposal. A failure to notify the company secretary as aforesaid will result in the voting rights attaching to the relevant B Shares linked to the Linked Ordinary Shares being ‘cancelled’ through a cessation of the voting rights and DGHL will be entitled to repurchase the relevant B Shares
Adjustments	<ul style="list-style-type: none"> Should there be a corporate event or an alteration of the share capital of DGHL, which increases or decreases the number of Ordinary Shares in issue, then in certain circumstances the number of B Shares held by such B Shareholder shall be increased or decreased, as the case may be, to maintain the proportionate Total Voting Rights exercisable by such B Shareholder before and after implementation of the relevant corporate event or alteration of share capital

Effective voting threshold/procedural issue	Disposal term	Effect	Rationale for the term
Procedural	The DGHL company secretary must be informed of any proposed disposal of B/Linked Ordinary Shares prior to such disposal. The voting rights attaching to the B Shares linked to those Linked Ordinary Shares will be cancelled through a cessation of the voting rights and DGHL will be entitled to repurchase the relevant B Shares if the company secretary is not given prior notice of a disposal.	If the company secretary is not informed prior to a disposal of the B/Linked Ordinary Shares, the voting rights attaching to the B Shares linked to those Linked Ordinary Shares will effectively be cancelled through a cessation of the voting rights and DGHL will be entitled to repurchase the relevant B Shares.	As the B Shares are unlisted, the transfer and holding thereof (to ensure the “linked” nature of the B Shares to the Linked Ordinary Shares) will be managed by the company secretary. The company secretary will only be able to record who the holders of B Shares (linked to Linked Ordinary Shares) are if information on the disposal of such shares is provided to the company secretary prior to such a disposal.
	The trading of Linked Ordinary Shares (linked to B Shares) can take place “off-market” (i.e. in materialised form, or in Dematerialised form not via the JSE’s normal order book) or “on-market” (i.e. in Dematerialised form via the JSE’s normal order book). However, if a disposal of Linked Ordinary Shares which are linked to B Shares is performed “on-market” by a B Shareholder, or if a disposal of Linked Ordinary Shares are performed “off-market” without a disposal of the B Shares linked to such Linked Ordinary Shares, the voting rights attaching to the B Shares linked to those Linked Ordinary Shares will be cancelled through a cessation of the voting rights and DGHL will be entitled to repurchase the relevant B Shares.	The voting rights attaching to B Shares linked to Linked Ordinary Shares, which are disposed of “on-market”, will be cancelled through a cessation of the voting rights and DGHL will be entitled to repurchase the relevant B Shares.	In an “on-market” transaction of Linked Ordinary Shares, it will not be possible to identify the purchaser. As such, the company secretary will not be able to record the concomitant transfer of the B Shares (linked to those Linked Ordinary Shares) appropriately. To ensure a proper recording of B Shareholders, the voting rights attaching to the B Shares will be cancelled through a cessation of the voting rights and DGHL will be entitled to repurchase the relevant B Shares in any “on-market” transaction of Linked Ordinary Shares, or any “off-market disposal of Linked Ordinary Shares without a disposal of the B Shares linked to such Linked Ordinary Shares.

Effective voting threshold/procedural issue	Disposal term	Effect	Rationale for the term
< 25%	<p>In a disposal of B/Linked Ordinary Shares by a B Shareholder, where the combined voting rights of all other shares in DGHL plus the B/Linked Ordinary Shares acquired by a purchaser (together with its concert parties and related parties) are not more than an effective aggregated 25% (twenty-five percent) of the Total Voting Rights after implementing such disposal, the voting rights attaching to the B Shares thus acquired will be cancelled through the cessation of the voting rights and DGHL will be entitled to repurchase the relevant B Shares.</p> <p>Similarly, if the combined voting rights of all other shares in DGHL plus the B/Linked Ordinary Shares still held by the selling B Shareholder (together with such B Shareholder's concert parties and related parties) are not more than an effective aggregated 25% (twenty-five percent) of the Total Voting Rights after implementing such disposal, the voting rights attaching to the B Shares held by the seller will be cancelled through a cessation of the voting rights and DGHL will be entitled to repurchase the relevant B Shares.</p>	<p>The voting rights attaching to the B Shares linked to the Linked Ordinary Shares are cancelled in the hands of a B Shareholder that does not hold more than 25% (twenty-five percent) of the Total Voting Rights (taken together with such B Shareholder's concert parties and related parties) and DGHL will be entitled to repurchase the relevant B Shares.</p>	<p>Ordinarily any single shareholder and its concert parties and related parties would lose so-called "negative" control below 25% (twenty-five percent) shareholding. The cessation of the voting rights of the B Shares held by a B Shareholder who, together with its concert parties and related parties, falls below this threshold is intended to simulate this loss of "negative" control.</p> <p>Further, this also ensures that when a B Shareholder disposes of B/Linked Ordinary Shares in very small numbers at a time, the voting rights attaching to the B Shares in those circumstances are cancelled, as it will not be possible to administer the B/Linked Ordinary Shares and their holders if too many different parties are able to hold these B/Linked Ordinary Shares.</p>
	<p>If at any point in time there is not a single B Shareholder who, together with its concert parties and related parties, holds more than an effective aggregate 25% (twenty-five percent) of the Total Voting Rights, then the voting rights attaching to all the B Shares will be cancelled through a cessation of the voting rights and DGHL will be entitled to repurchase all the B Shares.</p>	<p>The voting rights attaching to all B Shares are cancelled through a cessation of the voting rights and DGHL will be entitled to repurchase all the B Shares, if there are no more B Shareholders who, together with their concert parties and related parties, hold more than 25% (twenty-five percent) of the Total Voting Rights.</p>	<p>B Shares provide voting rights to the Remgro Group similar to the effective voting status which will be in place in relation to Distell following the RCI Exchange. If at any time no B Shareholder (together with its concert parties and related parties) holds more than 25% (twenty-five percent), the B Shares should not operate further to reflect the aforesaid voting status.</p>

Effective voting threshold/procedural issue	Disposal term	Effect	Rationale for the term
≥ 25%	<p>If a purchaser acquires B/Linked Ordinary Shares from a B Shareholder and, post such acquisition, holds more than 25% (twenty-five percent) of the effective aggregated Total Voting Rights (taken together with such purchasing B Shareholder's concert parties and related parties, and including the B/Linked Ordinary Shares acquired and existing Ordinary Shares previously held),</p> <p>and</p> <p>the selling B Shareholder (taken together with such selling B Shareholder's concert parties and related parties) also continues to hold an effective aggregated Total Voting Rights of more than 25% (twenty-five percent), then the purchaser of the B/Linked Ordinary Shares will have the choice to elect either to (i) make an offer to all other Ordinary Shareholders to acquire their Ordinary Shares at the same price paid for the B/Linked Ordinary Shares; or (ii) to have the voting rights attaching to the B Shares linked to the Linked Ordinary Shares thus acquired cancelled through a cessation of the voting rights and DGHL will be entitled to repurchase the relevant B Shares ("25% Election Term").</p> <p>Should an offer to minorities be made in accordance with the 25% Election Term, the full consideration payable to B Shareholders in terms of the transaction which triggers the offer shall be attributed to the Linked Ordinary Shares and no value shall be attributed to the B Shares.</p>	<p>The purchaser of B/Linked Ordinary Shares can elect either:</p> <ul style="list-style-type: none"> – to make the same offer to all other Ordinary Shareholders at the same price it paid for the B/Linked Ordinary Shares; or – if the purchaser does not wish to make such an offer, to have the voting rights attaching to its B Shares in respect of the B/Linked Ordinary Shares cancelled through a cessation of the voting rights and DGHL will be entitled to repurchase the relevant B Shares, and thus hold only Ordinary Shares. 	<p>The 25% Election Term is meant to counteract a "synthetic double 25%" voting position where, after a disposal of B/Linked Ordinary Shares, there are 2 (two) B Shareholders holding more than an effective 25% (twenty-five percent) of the Total Voting Rights by virtue of the fact that the B Shares have voting rights.</p> <p>As such, the purpose is to give an election to the purchaser to decide if retaining the B Shares, with their accompanying effective 25% (twenty-five percent) voting rights (notwithstanding that the purchaser may have acquired less than 25% (twenty-five percent) of DGHL's shares), is sufficiently important to the purchaser that he is willing to pay a premium, which premium is then paid to the minority Ordinary Shareholders to prevent the minority Ordinary Shareholders from being disadvantaged.</p> <p>The purpose of the provision ascribing the full value of an offer to minorities to the Linked Ordinary Shares per the 25% Election Term is to ensure that the minority Ordinary Shareholders enjoy the full benefit of the offer (despite not owning any B Shares).</p>

Effective voting threshold/procedural issue	Disposal term	Effect	Rationale for the term
≥ 35%	<p>Should an offer to minorities be made, the full consideration payable to the B Shareholders in terms of the transaction which triggers the offer shall be attributed to the Linked Ordinary Shares and no value shall be attributed to the B Shares.</p> <p>No further specific terms are applicable.</p>	Where B/Linked Ordinary Shares are transferred that constitute 35% (thirty-five percent) or more of the voting rights in DGHL, the usual TRP rules apply regarding the obligation to make a Mandatory Offer to all Ordinary Shareholders.	<p>The standard TRP rules require a Mandatory Offer to be made in any transaction where more than 35% (thirty-five percent) of the voting rights in a company are acquired.</p> <p>Provided the thresholds above are met, the B Shares will be transferred and not cancelled.</p> <p>Again, the purpose of the term ascribing the full value of an offer to minorities to the Linked Ordinary Shares is to ensure that the minority Ordinary Shareholders enjoy the full benefit of the offer (despite not owning any B Shares).</p>

CURRICULA VITAE OF FINAL DGHL DIRECTORS

1. **Richard Rushton (executive)**

Group Managing Director

Mr Rushton joined Distell on 1 November 2013. His role is to ensure that the company delivers on its key objectives. He is also responsible for building a high performance culture within the company.

2. **Lucas Verwey (executive)**

Director of Finance

Mr Verwey joined Distell in 2014. He was appointed to his current position in September 2015. He is responsible for financial planning and control, information technology and statutory reporting.

3. **Piet Beyers (independent non-executive)**

Formerly a director of, *inter alia*, Remgro, Richemont Société Anonyme and British American Tobacco. Appointed to the Distell board in 2000 and as member of the investment sub-committee in 2015.

4. **Gugu Dingaan (alternate for Mrs LM Mojela (independent non-executive))**

Investment executive at WIPHOLD and non-executive board member and audit committee member of Landis+Gyr, SA Corporate Real Estate Limited and Novus Holdings Limited. She is also a non-executive board member of Adcorp Holdings Limited. Appointed to the Distell board in 2005, as member of the audit committee in 2006, as chairperson of the social and ethics committee in 2012 as member of the investment sub-committee in 2015 and as a member of the risk and compliance in 2016.

5. **Dr Prieur du Plessis (independent non-executive)**

Chairperson of Plexus Holdings, an investment management business he founded in 1995. He also serves as chairperson of the Institute of Directors in Southern Africa and Bridge Fund Managers, and as director of PPS Insurance Company, a member of the Advisory Board of the University of Stellenbosch Business School (USB), chairperson of the audit and risk committee and member of the investment committee of Stellenbosch University. Additionally, he is professor extraordinaire at the USB, Honorary Consul General of Slovenia for South Africa and Deputy Dean of the Consular Corps of Cape Town. Appointed to the Distell board in November 2015 as a member of the audit committee in 2016, as chairman of risk and compliance committee in 2016 and the social and ethics committee in 2016.

6. **Jannie Durand (non-executive)**

Appointed as chairman of the board in 2016. He is the chief executive officer of Remgro and a director of, *inter alia*, RCL Foods, RMI Holdings, Capevin Holdings, Grindrod and Mediclinic International PLC. He also serves as a member of the Distell remuneration committee and nomination committee since 2012 and as chairman of the investment sub-committee since 2016.

7. **Pieter Louw (alternate for Mr J Durand) (non-executive)**

He is currently the Head of Corporate Finance at Remgro and a director of Capevin Holdings and RCL Foods. Appointed to the board, as alternate director for Mr JJ Durand, in 2014, to the investment sub-committee in 2015 and to the risk and compliance committee in 2016. He attends the audit, remuneration and nomination committee as a invitee.

8. **Joe Madungandaba (independent, non-executive)**

Group chief executive officer of Community Investment Holdings Group, non-executive chairperson of Schneider Electric, non-executive deputy chairperson of Jasco Electronic Holdings and non-executive director of Air Liquide Healthcare and of Afrocentric Limited. Appointed to the Distell board in 2000.

9. **Ethel Matenge-Sebesho (non-executive)**

An experienced banker and involved in other financial services activities. She is Head of New Markets for Home Finance Guarantors Africa Reinsurance, having established business in eight African countries. She serves on a number of boards, including FirstRand, Capevin Holdings and FinMark Trust. Appointed to the Distell board in 2015 and as a member of the risk and compliance committee in 2016.

10. **Chris Otto (non-executive)**

Founder director of PSG Group, Capitec Bank Holdings and Zeder Investments. Also non-executive director of Kaap Agri Investments and Capevin Holdings. Serves on selected audit and remuneration committees. Appointed to the Distell board in 2011 and as member of the investment sub-committee in 2015.

11. **André Parker (non-executive)**

Retired managing director of SABMiller Africa & Asia, where he served on several boards of SABMiller subsidiaries and was also an executive committee member of SABMiller plc. Also a director of Standard Bank. Appointed to the Distell board in 2008 and as lead independent director in 2016. A chairman of the remuneration committee in 2016 and as a member of the investment sub-committee in 2015.

12. **Catharina Sevillano-Barredo (independent non-executive)**

Founder, director and chief financial officer of the Universal Healthcare group of companies. Formerly a Director of WIPHOLD and Concor Limited. She was also a member of WIPHOLD's audit committee and chaired the Concor audit committee. Appointed to the Distell board in 2008, as chairperson of the audit committee in 2009 as a of the risk and compliance committee in 2016 and as member of the investment sub-committee in 2015.

13. **Mark Bowman (independent non-executive)** **(see note below)*

Former managing director of SABMiller Africa, with extensive experience in beverages and developing markets. SABMiller career that spanned operational roles in SA Beer, managing director of ABI (listed soft drinks division), chairman of Appletiser and managing director of Kompania Piwowarska (Poland). Also a non-executive director of Tiger Brands, Dischem Group and Mr Price Group.

Please note that the above list excludes Mrs L Mojela and Mr B van der Ross, who have indicated that they wish to retire at the Distell 2017 AGM.

Please note further that the appointment of Mr M Bowman is dependant on his appointment as director of Distell being approved by the Distell Shareholders at the Distell 2017 AGM.

OTHER DIRECTORSHIPS OF FINAL DGHL DIRECTORS

Richard Rushton	Distell, Bavaria S.A. (Columbia)
Lucas Verwey	Britehouse Holdings, Capevin, Distell, Pembani Remgro Infrastructure Managers, Pembani Remgro JV, RCI, Remgro Sport Investments, Sports Science Institute of South Africa, Stellenbosch Academy of Sport Properties, Western Province Rugby (Pty) Ltd
Piet Beyers	Bos Brands, Distell, Kanonkop Wine Estate, Remgro, Saldanha Fishing Group, Unilever South Africa
Gugu Dingaan	Adcorp Staffing Solutions, Adcorp Holdings Ltd, Blue Spec Holdings, Centane Agriculture Development Company (RF), Corporate Real Estate, Distell, Fortress Administration Pty Ltd, Ixia Coal Pty Ltd, Ixia Coal Funding Pty Ltd, Khulisani Foundation, Landis & Gyr Ltd, MCG Industries Pty Ltd, Novus Holdings Limited, Quest Staffing Solutions Pty Ltd, Quest Strategic Partners, SA Corporate Real Estate Fund Managers Ltd, Sasol Mynbou Ltd, Wip Investment Number One, Wiphold Financial Services No 1 Ltd, Wipcoal, Wipwise Commodities, Zuaz Pty Ltd
Dr Prieur du Plessis	Bridge Fund Managers (Pty) Limited, Bridge Collective Investments (Pty) Limited, Cape Times Bursary Fund Trust, Combined Finance Holdings (Pty) Limited, Distell, DP Ventures (Pty) Limited, Du Plessis Family Trust, Grindrod Asset Management Holdings (Pty) Limited, The Institute of Directors in Southern Africa (Pty) Limited (IoDSA), OptiVest Investment Managers (Pty) Limited, Plexus Holdings (Pty) Limited, Plexus Asset Management (Pty) Limited, Plexus Administrators (Pty) Limited, Professional Provident Society (PPS) Holdings Trust, PPS Insurance Company Limited, PPS Beneficiaries Trust, PPS Foundation Trust, PPS Educational Trust, PPS Academy Holdings, PPS Academy (Pty) Limited, Proud Partners (Pty) Limited NPC, Stellenbosch Trust
Jannie Durand	Business Leadership South Africa, Business Venture Investments No 1027, Cape Country Ballooning (Pty) Ltd, Cape Fruit Processors (alternate), Capevin, Distell, FirstRand Bank Ltd, FirstRand Ltd, Ilja Properties, Innovus Tegnologie Oordrag (Pty) Ltd, JD and JK Investments, Lanarex, Leopard Creek Country Club Ltd, Leopard Creek Share Block Ltd, Majedaan (RF), Make a Difference Leadership Foundation Limited, Mediclinic International PLC, Milestone Capital Strategic Holdings Ltd (BVI), Rand Merchant Investment Holdings Ltd, RCL Foods Ltd, RCI, Remgro, Remgro Management Services Ltd, RMI Investment Managers Group, RMB HOLDINGS LTD (<i>Alternate For F Knoetze</i>), Retdur Properties (Pty) Ltd, Satophase, Stand 218 Lc Properties (Pty) Ltd, Stellenbosch University, The Mad Bunch, Vonfoods (alternate)
Pieter Louw (alternate for Mr J Durand)	Capevin, Distell, JPI (Overseas) Limited, Falconair, Historiese Huise van Suid-Afrika, IPPROP Holdings Limited, Millennia Jersey limited, Pembanie Remgro Infrastructure Managers Pty Ltd, PGSI Limited, RCL Foods Limited, Remgro Health Limited, Remgro International Limited, Remgro Jersey BP Limited, Remgro Management Services, Remgro USA Limited, RCI, RFS Investments Limited, Stellenbosch Academy of Sport Properties, V&R Management Services AG, VenFin Holdings Limited

Joe Madungandaba 117 Mimosa, 367 Springtime, 78 Oukraal Hazeldean, Act Healthcare Assets, Activo Health, African Gateway Convention and Exhibition Precinct, African Gateway Convention and Exhibition Sales, Afrocentric Distribution Services, Afrocentric Health (Rf), Afrocentric Investment Corporation, Air Liquide Healthcare, Air Liquide Hospital Installations and Services, Annalogy Empowerment Series, Aquarella Investments 547, Arrow Creek Investments 78, Atka Trading 29, Benus Trade and Invest, Beyond Discovery Investments, Black Capital Investments, Black Capital Properties, Black Capital Resources, Blue Age Properties 76, Blue Waves Properties 219, Brookway Properties 83, Business Venture Investments No 127, CGS Corporate Security Services, Candotone Investments, Canton Trading 239, Canyon Springs Investments 171, Carmelo Investments 162, CIH Aviation, CIH Cornerstone, CIH Projects, CIH Projects No 1, CIH Projects No 2, CIH Projects No 3, Community Aviation, Community Energy Group, Community Engineering Solutions, Community Healthcare Holdings, Community Holdings No 1, Community Hospital Management, Community Infrastructure Management Services, Community Investment Holdings, Community Investment Holdings No 2, Community Investment Pharmaceuticals, Community Investment Power Holdings, Community Investment Property Holdings, Community Investment Ventures Holdings, Community Logistics, Community Medical, Community Oil and Gas Trading, Community Power and Energy, Community Property Portfolio, Community Technologies, Community Ventures, Continuous Oxygen Suppliers, Co-Ordinated Benefits Group, Court Classique-Pretoria, Crane's Crest Investments 100, CRD Management Company, Crossroads Distribution, Crossroads Distribution Holdings, Curanet, Curasana Wholesaler, Curatorque, Curavect, Dark Fibre Africa, Desbel Sewe, Deuceprops 7, Dismed Criticare, Dismed Pharmaceutical, Distell Group Ltd, Dominion Mining Investments, Elandslaagte Diamonds, Energy Kaofela, Entiforce Investments, Entigen Investments, Entistyle Investments, Entisys Investments, Entitime Investments, Ercon Electrical and Earthing Contractors, Erf 290-1 Hatfield, Erf 392 Mooikloof, Erf 80 Wapadrang, Exproscore, Exprospan, The Foundation For Expertise In Enterprise Development, Fuze Kolobe Investment Holdings, Fuze Kolobe Productions, Global-All Electrical, Golden Falls Mining, Golden Pond Trading 175, Henus Trade and Invest Ilanga Electrical, Investments Select, Izibusi 121, Izibusi 122, Izibusi 123, Izibusi 124, Izibusi 125, Izibusi 126, Izibusi 127, Izibusi 130, Izibusi 131, Izibusi 133, Izibusibo Trade and Invest, Izibusiga Trade and Invest, Izibusige Trade and Invest, Izibusiha Trade and Invest, Izibusiko Trade and Invest, Izibusima Trade and Invest, Izibusizo Trade and Invest, Jasco Electronics Holdings, Jearth Trade and Invest, K2011103787 (Rf), Kasimira Trading 30, Kenus Trade and Invest, Lakeside City Trading 93, Leopont 557 Properties, Leopont 558 Properties, Lercurius and Invest, Lyraspect Investments, Malesela Corporate Finance, Malesela Holdings, Malesela Investments No 10, Malesela Investments No 11, Malesela Taihan Electric Cable, Malesela Technical Services, Malesela Transmission and Distribution, Malesela Transmission and Distribution Holdings, Manupont 171, Manupont 236, Manupont 237, Manupont 243, Manupont 246, Manupont 247, Mayibuye Engineering, Mbhewa Energy, Medical Distributors, Medscheme, Medscheme Holdings, Meervista, Mesure Asset and Property Management, Mesure Facilities Management, Mesure Projects, Moxicento Investments, Moxicode Investments, Moxicom Investments, Murko Properties, Mystic Blue Trading 480, Mystic Blue Trading 583, Namane Capital, Namane Commodities, Namane Energy, Namane Financial Services, Namane Generation, Namane Investment Holdings, Namane Logistics, Namane Mining, Namane Mining Properties, Namane Oil and Gas, Namane Power and Energy, Namane Resources, Nemus Trade and Invest, Nevada Sky Investments 25, Olympic Park Trading 127, Phambili Hospital Products, Pharm Share Holdings, Pharmacy Direct, Planet Waves 470, Precinct Developers (Rf), Rhole Exploration and Mining, Riverside Park Trading 175, Safri-Lec, Salestalk 371, Salestalk 372, Salestalk 374, Schneider Electric South Africa, Sercurius Trade and Invest, Serote Street 65, Skynet South Africa, Sonke Pharmaceuticals, Street Spirit Trading 215, Surtrac, Swift Waste, Tamasa Energy Group, Tamasa Gas Trading, Tamasa Investment Holdings, Tamasa Power, Tamasa Trading, Temo Coal Mining, Tercurius Trade and Invest, Totacure, Tsela Tshweu Private Company (RF), Tshepang Plant Hire, Tshepo Pharmaceuticals, Tshwane International Convention and Exhibition Centre, Two Ships Trading 449, Uercurius Trade and Invest, Universal Pulse Trading 328, VME Group, Valfrira Motor Engineering, Validtrade 184, Vecto Trade 470, Velvetsky Nine, Vercurius Trade and Invest, West Dunes Properties 264, Western Breeze Trading 327, Western Breeze Trading 328, Western Breeze Trading 329, Wheatfields Investments No 223, Yamanda, Zalvest Eight, Zalvest Four, Zambli 277, Zambli 278, Zambli 279, Zargolog Investments, Zargolor Investments, Zargowell Investments

Ethel Matenge-Sebesho	Capevin, Distell, EMS Investments, FinMark Trust, FirstRand Bank, FirstRand Investments Management Holdings, FirstRand Ltd, Matenge-Sebesho Trust, RCI
Chris Otto	Capespan Group Ltd (<i>resigned</i>), Capevin, Capitec Bank Ltd, Capitec Bank Holdings Ltd, Distell, Kaap Agri Ltd, Kalander Kapitaal (Pty) Ltd, Peter D Wimsey and Associates (Pty) Ltd, PSG Financial Services Ltd, PSG Group Ltd, PSG Corporate Services (Pty) Ltd, RCI, Zeder Investments Ltd, Zeder Financial Services Ltd
André Parker	Carozzi (Chile), Distell, Highberry Wines Primary Cooperative Limited, Ligbron E learning Outreach Partnership Western Cape, The Standard Bank of South Africa Ltd, Standard Bank Group
Catharina Sevillano-Barredo	Beautiful Connections 33, Biosequences, Bittersweet Trade and Invest 59, Blockbuster Trading 27, Brevity Trade 57, Distell, Floxivert, Medibucks, Medikredit Integrated Healthcare Solutions, Performance Health, Rostech Property Developments, Universal Care, Universal Cover, Universal Health Cover, Universal Healthcare, Universal Healthcare Administrators, Universal Healthcare Services, Zastrofor
Mark Bowman	Dischem Group, Mr Price Group, Tiger Brands

Please note that the above list excludes Mrs L Mojela and Mr B van der Ross, who have indicated that they wish to resign at the Distell 2017 AGM.

Please note further that the appointment of Mr M Bowman is dependant on his appointment as director of Distell being approved by the Distell Shareholders' at the Distell 2017 AGM.

CORPORATE GOVERNANCE STATEMENT OF DGHL

1. DGHL's governing objective aligns with that of Distell, namely to ensure the ongoing sustainability of the DGHL Group's business and to maximise value for DGHL Shareholders and other key stakeholders, while also contributing to national prosperity. In striving towards this objective, DGHL and the DGHL Group will remain mindful of the impact of the group's business activities on society and the environment. Therefore, DGHL will follow a formal process to identify and assess the major risks that could impact negatively on sustainability as far as the operations of its Subsidiaries are concerned. The Final DGHL Directors will, upon their appointment as directors of DGHL, prior to the Listing, adopt and apply the principles of the King Code, including particularly King IV. Distell's website will, prior to the Listing, contain an explanation of the 16 principles applicable in respect of King IV.
2. DGHL will be exposed to a growing global footprint; hence the governance requirements of DGHL will continually evolve and present new challenges. The Board of DGHL is committed to adjust policies and procedures as necessary to keep pace with the changes in legislation and other regulations.
3. The DGHL Board, being ultimately responsible for governance, will encourage management and all employees to adhere to the highest standards of ethical behaviour and transparency. Ethical behaviour will be enforced by internal codes and policies and will be especially governed by the adopted Anti-bribery and Corruption, Gifts and Entertainment and Whistle-blowing policies to more effectively tackle practices that are inimical to ethical conduct.
4. The DGHL Board considers itself fully accountable to stakeholders in its ongoing commitment to applying the disciplines and guidelines laid out in the Companies Act, the Listings Requirements and the King Code.

5. **ANTI-BRIBERY AND CORRUPTION**

DGHL is committed to protecting the DGHL Group's revenue, expenditure, assets and reputation from any attempt by any person or group to gain financial or other benefit in an unlawful, dishonest or unethical manner. Fraud, corruption, theft, maladministration or any other dishonest activities of a similar nature will not be tolerated. Incidents and suspicions will be investigated and treated with the application of the full extent of the law. DGHL is also committed to the strict adherence to both the letter and the spirit of the Companies Act, the Prevention and Combating of Corrupt Activities Act, 2004 (12 of 2004) (the PCCA) and other relevant laws.

6. **GIFTS AND ENTERTAINMENT**

DGHL believes in fostering healthy, mutually beneficial relationships with the DGHL Group's suppliers, business partners and customers. While giving and receiving gifts can play a role in building such relationships, doing so should never create improper influences or obligations. DGHL's policy therefore limits the type, nature, extent and value of gifts and entertainment that may be given or accepted.

7. **WHISTLE-BLOWING**

All employees and business partners must remain vigilant in preventing, detecting and reporting any suspected illegal, non-compliant or unethical behaviour. In line with the DGHL Group's commitment to integrity, DGHL has adopted an independent whistle-blowing system that ensures confidentiality and operates 24-hours a day, seven days a week and 365 days a year.

8. **BOARD OF DIRECTORS**

- 8.1 The DGHL Board will provide direction and leadership to the DGHL Group and will ultimately be accountable for its overall performance.
- 8.2 The Board will focus on strategy and material issues that can impact shareholder value and long-term sustainability. Operational responsibility will be delegated to the management board of DGHL, which will be accountable for the ongoing management of the business of the DGHL Group.

8.3 Appointments

- 8.3.1 Board appointments to DGHL will be made transparently and involve the full Board's consideration. The nomination committee will identify individuals suitably qualified to become members of the Board and will make recommendations to the Board for approval.
- 8.3.2 A formal appointment procedure is defined in the Board charter which has been adopted by DGHL, which stipulates the need to ensure that DGHL's Board composition adequately reflects the demographics of South Africa and seeks to promote diversity in DGHL's Board membership across a variety of attributes relevant for promoting better decision-making and effective governance, including in the fields of knowledge, skills and experience, as well as age, culture, race and gender. Members of the Board will be encouraged to remain cognisant of the importance of continuously infusing fresh thinking and a relevant mix of skills and experience into the Board, so as to ensure the Board is adequately equipped to achieve the strategic objectives of the DGHL Group.
- 8.3.3 In this regard, the Board has adopted a policy on the Promotion of Gender Diversity at board level, which seeks to maintain a target of 25% (twenty five percent) female representation and to increase female representation on the board to 40% (forty percent) by the end of 2020. The above targets also accommodate alternate directors.
- 8.3.4 While there is no maximum term for appointment, the retirement age for non-executive directors is 70 (seventy) years. All non-executive directors will retire by rotation. One-third of the directors must retire at the annual general meeting, during which they may make themselves available for re-election for a further term. The directors who retire shall be those longest in office since their last election.

8.4 Board meetings and attendance

- 8.4.1 The Board will meet at least 4 (four) times per year to review a formal schedule of matters, of which its members will be fully briefed in advance. An annual 2 (two) day strategic workshop will also be held and attended by the Board, along with members of DGHL's executive committee. The Board will also meet on an *ad hoc* basis, if required. A majority of the Directors in office will count as a quorum for any Directors' meeting.
- 8.4.2 Decisions taken at Board meetings will be decided by a majority of votes, with each director having 1 (one) vote per matter. A majority vote will be considered as an approval of the relevant resolution. In the case of a tied vote, the chairman will not be entitled to cast a deciding vote, and such resolution shall fail. A round robin resolution shall be as valid and effectual as if it had been passed at a Board meeting duly called and constituted, provided that such resolution is adopted by way of written consent by all Board members.
- 8.4.3 Effective chairing and a formal agenda, with supporting documentation, will ensure that all issues requiring attention are raised and addressed. Supporting documentation will be distributed a week in advance of Board meetings. This will enable Directors to discharge their fiduciary responsibilities by determining whether prescribed functions have been carried out according to set standards within the boundaries of prudent, predetermined risk levels and in line with international best practice.
- 8.4.4 The Board will regularly assess and satisfy itself that its members have the required qualifications and relevant experience to actively contribute to the success of DGHL and the DGHL Group.
- 8.4.5 Furthermore, independent, non-executive directors, who have no material contractual relationships with DGHL or any member of the DGHL Group, will be required ensure that their judgement is exercised independently. The independence of long-serving independent directors will be regularly assessed.

8.5 Roles and responsibilities

- 8.5.1 A Board charter has been adopted, setting out the Board's responsibilities, duties and accountability towards DGHL and the DGHL Group. The charter recognises that strategy, risk, performance and sustainability are inseparable and that the strategic direction which the Board sets for DGHL must integrate all these elements. The Board will strive to act in the best interests of DGHL and the DGHL Group. The Board will assess and authorise the plans and strategies submitted by senior management, agree on key performance indicators, and identify key risk areas and responses. Executive management will then be charged with the detailed planning and implementation of these strategies in accordance with appropriate risk parameters.
- 8.5.2 A clear balance of power and authority will exist at Board level. A quorum must be present at a meeting to pass any resolution of the Board.

- 8.5.3 The main responsibilities of the Board in terms of its charter, which will be reviewed regularly, are to:
- 8.5.3.1 create sustainable Shareholder value;
 - 8.5.3.2 provide strategic direction and review the execution of strategic initiatives;
 - 8.5.3.3 consider and approve the annual business plan and budget of the DGHL Group as submitted by management, including sustainability initiatives;
 - 8.5.3.4 establish committees to assist the Board in discharging its responsibilities and duties;
 - 8.5.3.5 evaluate and approve DGHL's integrated annual report, annual financial statements, interim financial statements and dividend/s to Shareholders, based on the recommendation from the audit committee;
 - 8.5.3.6 implement internal controls to manage both financial and operational risks, ensure adequate risk management practices are followed and oversee information technology governance;
 - 8.5.3.7 advise on and review transformation and empowerment in the DGHL Group;
 - 8.5.3.8 consider significant financial matters, such as investment proposals;
 - 8.5.3.9 evaluate the performance and effectiveness of individual Directors, the Board as a whole and its committees, as well as the managing Director, on an annual basis;
 - 8.5.3.10 appoint new Directors, including the chair of the Board, chairs of committees and the managing Director, based on the recommendations made by the nomination committee;
 - 8.5.3.11 ensure that remuneration and incentive schemes of Directors and senior management comply with the remuneration policy;
 - 8.5.3.12 ensure that relevant and accurate information is timeously communicated to stakeholders; and
 - 8.5.3.13 evaluate the viability of the DGHL Group as a going concern.

8.6 Orientation and development

All new Directors will undergo a formal induction programme. Upon their appointment, new Directors will receive an induction pack consisting of, *inter alia*, agendas and minutes of the previous Board and sub-committee meetings, the latest integrated report of DGHL, relevant insurance information, strategic documents, relevant policies and charters, and the new Directors are informed of their fiduciary duties in terms of the Companies Act and the Listings Requirements. The new Directors will also be encouraged to visit various production sites and distribution centres and have meetings with executive Directors.

8.7 Board and Director evaluation

- 8.7.1 The Board and its committees will conduct a self-evaluation of their performance on an annual basis, by responding to a detailed questionnaire. Each Director will be required to comment on the following:
- 8.7.1.1 Board structure and responsibilities;
 - 8.7.1.2 Board processes, practices and culture;
 - 8.7.1.3 overall performance of the Board;
 - 8.7.1.4 committee structures and resources; and
 - 8.7.1.5 committee performance in respect of statutory duties.
- 8.7.2 The results of the individual evaluations will be discussed with the Board as a whole and suggested changes and comments will be minuted and actioned by the Board.

9. SHARE TRADING

A Price-Sensitive Information policy has been adopted, which is intended to prevent the abuse of price sensitive and inside information by prohibiting Directors and senior management and other employees of DGHL and the DGHL Group from trading in DGHL's Shares during price-sensitive or closed periods. In terms of the policy, closed periods commence a week before the end of the interim (December) and annual (June) financial periods of DGHL and end the day after the financial results of DGHL are disclosed on SENS. All employees of DGHL and other entities within the DGHL Group will be informed of the closed periods by DGHL's company secretary. Additional restrictions on trading may apply where unpublished, price-sensitive information exists in relation to DGHL's Shares in terms of the policy. Directors and the company secretary are required to advise the chairman and obtain his clearance before dealing in DGHL Shares. Directors of major subsidiary companies are required to advise the managing director or the company secretary and obtain clearance, while other senior employees require the approval and clearance of the company secretary before dealing in DGHL Shares.

10. CONFLICT OF INTEREST AND DIRECTOR SHARE TRADING

It is incumbent on the Directors to act in the best interests of DGHL at all times. All Board members and the company secretary will be required to sign a declaration disclosing the extent of their Shareholdings in DGHL, other directorships and any potential conflict between their obligations to DGHL and their personal interests. Where a potential conflict of interest does exist, such Board members or the company secretary, as the case may be, must recuse themselves from relevant discussions and decisions.

11. COMPANY SECRETARY'S ROLE AND RESPONSIBILITIES

The company secretary is responsible to the Board for ensuring adherence to proper corporate governance principles in terms of the Board charter, compliance with relevant legislation and for preparing meeting agendas and recording minutes. The company secretary will also assist with Director induction and ongoing training as necessary. All Directors will have unlimited access to and may at any time seek the advice and services of the company secretary and, in appropriate circumstances, may at DGHL's expense seek independent professional advice. The Board will regularly assess whether, based on the eligibility, skills, knowledge and execution of duties, the incumbent company secretary suitably fulfils the role and is independent, maintaining an arms' length relationship with the Board and its Directors.

12. BOARD COMMITTEES

While the Board will remain accountable for the performance and affairs of DGHL, it will be entitled to delegate specific responsibilities to committees who will operate under Board-approved charters. All committees will be chaired by an independent non-executive Director who will also attend the annual general meeting to respond to Shareholder queries. DGHL will establish 6 (six) committees, namely:

- 12.1 an audit committee;
- 12.2 a risk and compliance committee;
- 12.3 a remuneration committee;
- 12.4 a nomination committee;
- 12.5 a social and ethics committee; and
- 12.6 an investment sub-committee.

13. THE AUDIT COMMITTEE

- 13.1 The audit committee will comprise of at least 3 (three) independent, non-executive Directors, who will be nominated by the Board and confirmed by the Shareholders. The audit committee will meet at least 4 (four) times per year and the managing Director, finance Director, external auditors, chief audit executive and selected senior management will be invited to attend these meetings.
- 13.2 The purpose and role of the audit committee as set out in its charter will be to assist the Board with discharging its responsibility to:
 - 13.2.1 safeguard the assets DGHL;
 - 13.2.2 operate an adequate and effective systems of internal control, risk management and governance;
 - 13.2.3 prepare materially accurate financial reporting information and statements in compliance with all applicable legal/regulatory requirements and accounting standards;

- 13.2.4 monitor compliance with laws and regulations; and the business code of conduct; and
- 13.2.5 provide oversight of the external and internal audit functions and appointments.
- 13.3 The audit committee will have an independent role and will be accountable to both the Board and Shareholders. It will operate as an overseer and a maker of recommendations to the Board for its consideration and final approval.
- 13.4 The audit committee will, in terms of its charter, perform the following activities:
 - 13.4.1 Integrated reporting
 - 13.4.1.1 review the adequacy and effectiveness of the financial reporting process and the system of internal control;
 - 13.4.1.2 review and approve DGHL's integrated report, annual financial statements, interim reports and other financial media releases, and recommend final approval to the Board;
 - 13.4.1.3 review and confirm the DGHL Group's current financial position, budgets and cash flow projections and decide whether, to the best of its judgement, there are adequate resources to continue with operations in the foreseeable future;
 - 13.4.1.4 ensure compliance of published information with relevant legislation, reporting standards and good governance;
 - 13.4.1.5 consider any significant legal and tax matters that could have had a material impact on the financial statements;
 - 13.4.1.6 review the external auditor's report and the representation letter signed by management; and
 - 13.4.1.7 meet separately with management, external audit and internal audit to discuss matters that the respective parties will believe should be discussed privately for the audit committee's consideration in satisfying itself that no material control weakness exists.
 - 13.4.2 Internal audit
 - 13.4.2.1 oversee the internal audit function and approval of the annual internal audit plan;
 - 13.4.2.2 approve the internal audit and audit committee charters, as well as the relevant matrix;
 - 13.4.2.3 evaluate the independence, performance and effectiveness of the internal audit function;
 - 13.4.2.4 review the co-operation and co-ordination between the internal and external audit functions to avoid unnecessary duplication of work;
 - 13.4.2.5 review and consider any significant findings raised by internal audit, as well as the adequacy of management's corrective actions, if applicable;
 - 13.4.2.6 meet separately with the Chief audit Executive to discuss matters that the audit committee or internal audit believed should be discussed privately; and
 - 13.4.2.7 receive assurance on the adequacy of internal financial controls.
 - 13.4.3 External audit
 - 13.4.3.1 nominate the external auditor and the designated auditor for DGHL, and ensure this appointment complies with all legal and regulatory requirements;
 - 13.4.3.2 approve the fees of external auditors as well as non-audit services, after pre-approved by the chairperson of the audit committee;
 - 13.4.3.3 review and approve the annual audit plan, the effectiveness of the external auditor and its independence; and
 - 13.4.3.4 satisfy itself with the independence of the external auditor.
 - 13.4.4 Expertise of the financial Director and the finance function
 - 13.4.4.1 As required by the Listings Requirements, the audit committee will also consider the experience and expertise of DGHL's financial Director from time to time and satisfy itself and such experience and expertise is appropriate.
 - 13.4.4.2 The audit committee will also review and satisfy itself that the composition, experience and skills of the finance function are able to meet the requirements of the DGHL Group.

14. THE NOMINATION COMMITTEE

14.1 The nomination committee will comprise of 3 (three) independent, non-executive Directors.

14.2 The primary responsibility of the nomination committee will be to:

- 14.2.1 review and recommend to the Board the size and composition of the Board and the criteria for Board membership;
- 14.2.2 assist the Board in identifying the necessary and desirable competencies of Board members and maintaining an appropriate mix of skills, experience, expertise and diversity on the Board;
- 14.2.3 assist the Board in identifying appropriate individuals as potential candidates for Board membership and re-election;
- 14.2.4 craft succession plans for executive and non-executive Directors; and
- 14.2.5 develop a process for the evaluation of the performance and independence of the Board, its committees and individual Directors (including executive, non-executive and independent non-executive Directors and the company secretary) and implement a process to identify, assess and enhance the skill set of Directors.

15. RISK MANAGEMENT

The DGHL Board is ultimately accountable for the management of risk, which includes a comprehensive risk management system which incorporates continuous risk assessment, evaluation and internal control embedment. The full risk management report is published in the 2017 Integrated Annual Report of Distell Group Limited and on the website (www.distell.co.za).

16. INTERNAL CONTROLS

16.1 The DGHL Board will place significant emphasis on the systems of internal controls which will set the tone throughout the DGHL Group on the importance of such systems. Although the Board will assume ultimate accountability for the DGHL's system of controls, the responsibility for its implementation will be delegated to management. Management of DGHL will share the Board's philosophy on internal controls and proactively design and implement controls to mitigate risks in pursuit of DGHL's objectives and targets. The Board will oversee that adequate systems of internal controls are in place across the broad spectrum of financial reporting, operational and compliance controls.

16.2 The systems of internal controls will generally not be expected to eliminate risk entirely or guarantee absolute assurance against misstatement or loss; however it will be designed to manage risks within appetite and tolerance levels to reasonably assure that DGHL's:

- 16.2.1 Assets will be safeguarded;
- 16.2.2 Objectives will be achieved;
- 16.2.3 Operations will be efficient and effective;
- 16.2.4 Financial information will be reliable; and
- 16.2.5 Compliance with applicable laws and regulations will be adequate.

16.3 The implementation of effective systems of controls will involve the following:

- 16.3.1 Establishing an appropriate control environment that demonstrates commitment to high integrity and ethical values; providing the appropriate level of oversight and operating structures; ensuring placement of suitably qualified employees, segregation of duties, and to clearly define lines of authority and accountability.
- 16.3.2 Business objectives will be clearly outlined and formal processes will be in place to identify and analyse related risks to the achievement of the objectives.
- 16.3.3 Control activities will be developed to address the identified risks and where applicable formalised policies and procedures will be implemented.
- 16.3.4 Relevant and accurate information will be identified and used in decision-making; and adequate controls communication processes and activities will be in place for internal and external communication.
- 16.3.5 Controls will be evaluated on an ongoing basis and deficiencies will be addressed promptly and effectively.

16.4 The Board will adopt a combined assurance model to obtain assurance that internal controls will be efficient and effective from the following various assurance providers:

- 16.4.1 line functions that own and manage risks. This will include a comprehensive monthly management control self-assessment checklist covering operational and financial controls at all operations plants/sites, depots, distribution centres and a number of head office corporate functions;
- 16.4.2 specialist functions that will oversee and facilitate risk management and compliance, e.g. Risk Management, Corporate and Regulatory Affairs, and Legal and Compliance, etc;
- 16.4.3 internal auditors, internal forensic fraud examiners and auditors, safety and process assessors, and statutory actuaries;
- 16.4.4 independent external assurance service providers such as external auditors (PwC), other external assurance providers such as sustainability and environmental auditors, external actuaries, and external forensic fraud examiners and auditors; and
- 16.4.5 regulatory inspectors such as Department of Labour inspectors etc.

17. INTERNAL AUDIT

17.1 Internal Audit will be an integral contributor to DGHL Group's defense systems that will assist in safeguarding assets; ensuring the reliability and integrity of significant financial, managerial and operational information; identifying and protecting against factors and behaviour that diminishes value; and will be the primary assurance provider to the Board on the efficiency and effectiveness of governance, risk management and control systems, structures and processes.

17.2 The division will be a centralised global function with regionally based teams that will optimise localised focus on risks and controls that will provide a greater level of support to management. It will operate under terms set out in a formal mandate that will be approved by the Board, in full conformance to the Institute of Internal Auditors (IIA) International Professional Practices Framework for Internal Audit (IPPF). This framework will include a Code of Ethics that the team will subscribe to as well as global Attribute and Performance standards for the practices of internal auditing.

17.3 The internal audit function will form an integral part of DGHL's combined assurance framework and will establish a robust, risk-based approach to identify the business areas, entities and controls to be evaluated. This methodology will enable the internal audit function to provide assurance that the key strategic, statutory, financial and operational risks are understood, identified, and effectively managed and mitigated.

17.4 When required, specialist information technology skills will be contracted in.

17.5 Independence and Authority

17.5.1 The appropriate organisational positioning of DGHL's internal audit department will be to report functionally to the audit committee and administratively to the Group Finance Director. This will enable the department to maintain its independence.

17.5.2 The Chief Audit Executive and the audit committee will formally consider the independence of the internal audit department on an annual basis. Internal audit will have free and unrestricted access to all areas within the DGHL Group.

17.6 Scope of Work

Internal audit assurance will only be reasonable and not absolute and will not supersede the Board's and management's responsibility for the ownership, design, implementation, monitoring and reporting of governance, risk management and internal controls.

18. INVESTOR RELATIONS

DGHL's investors will be at the heart of DGHL's business and DGHL will place significant emphasis on relationship development and investor communication. The primary principle that will be applied across these two areas is to be transparent, by providing detailed and frequent information through formal and informal communication channels. This will include scheduled quarterly briefing sessions with a wide range of investors as well as regular *ad hoc* engagements. Some of these engagements sessions will be attended by senior management of DGHL, giving investors wider access to the management teams. Over and above these engagements, investors will also have access to a dedicated investor website which will provide comprehensive information about DGHL. The chairman will encourage Shareholders to attend and actively participate in the annual general meeting of DGHL by submitting questions either at the meeting or in advance. The chairs of the DGHL Group's audit, risk and compliance, social and ethics,

remuneration and nomination committees will be present to respond to questions from shareholders. Voting at annual general meetings will be conducted by way of a show of hands or a poll and DGHL will propose separate resolutions on each significant issue. The results of voting and any issues raised at the meeting will be released on the JSE's electronic news service, SENS.

19. **WHISTLE-BLOWING THROUGH THE ETHICS LINE**

DGHL will be committed to doing business on an ethical and sound basis and to fully comply with local and global anti-bribery and corruption laws. DGHL will offer an Ethics Line, that will be independently managed by Deloitte's Tip-Offs Anonymous division to combat fraud, theft, corruption and unethical behaviour. In upholding the Company's values, DGHL will encourage all staff members to use the Ethics Line, which offers a selection of communication channels and is available 24-hours a day and 365 days a year.

The Ethics hotline: 0800 004 822/**distell@ethics-line.com**.

The Ethics Line will also be available to employees in Europe, Asia and Africa. The social and ethics committee of DGHL will govern over the workings of the line and will ensure that appropriate action is taken on reported matters.

**JURISDICTIONS (OTHER THAN SOUTH AFRICA) IN WHICH APPROVAL
FOR THE TRANSACTION IS REQUIRED FROM LOCAL COMPETITION
AUTHORITIES**

1. Common Markets for Eastern and Southern Africa (COMESA);
2. Republic of Botswana;
3. Republic of Namibia;
4. Republic of Kenya; and
5. United Republic of Tanzania.

RISK FACTORS RELATING TO DGHL

1. GENERAL MARKET RISK

General movements in local and international markets, factors that affect the investment climate and investor sentiment could all affect the level of trading and therefore the market price of the Ordinary Shares. These risks are generally applicable to any investment in listed securities and Scheme Participants should be aware that the Ordinary Shares can go down in price as well as up.

2. LIQUIDITY RISK

There can be no certainty that a liquid market in the Ordinary Shares will develop on the JSE. The shares may trade at a discount or premium to their share of the net asset value of DGHL.

3. OTHER RISKS

Material matter/risk description	Mitigating actions/controls
MACRO RISKS	
UK – Brexit	
Brexit could have a negative impact on South African wine exports to the United Kingdom, as well as exports of Scotch Whisky exports to South Africa from the United Kingdom, with possible currency impact due to a weaker pound if Brexit is disorderly. This will reduce the profitability of wine exports to the United Kingdom.	Distell is assessing the potential impact of a loss of duty-free market access and the related financial impact for Distell. Distell is formulating plans to mitigate the risk in its European operations, including the establishment of its own route to market operation in the United Kingdom.
Other key international markets	
European Union instability will dampen consumer spend in Distell’s key European Union markets.	Distell must ensure sustained profitability of its export portfolio by developing strong partnerships in key markets such as the United States of America, the United Kingdom and China.
Rising trade protectionism in the United States of America could lead to loss of duty free access for South African wines under the African Growth and Opportunity Act (AGOA).	
South African market	
Further downgrades of South Africa’s local currency-denominated debt will lead to increased interest rates, weakness of the Rand and a decline in the value of consumers’ disposable income.	Distell is protecting and growing its market share by expanding its market service effectiveness programme while diversifying Distell Group earnings in Africa and international markets. Further measures include extracting more value from Burn Stewart Distillers, Bisquit and Distell’s international business, while pursuing an inorganic growth strategy. Distell is improving its profitability via cost-efficiency initiatives and focussing on its brand portfolio and optimising its production and distribution network to protect market share and profitability.
African market	
Depressed commodity prices due to lower demand from China contributes to weaker currencies and rising foreign currency shortages. This results in the inability to extract foreign exchange from certain key markets, combined with lower growth in undiversified economies.	Distell is investing in local route-to-market and production to gear up for future market recovery, while aligning its pace of investment with the possible risks. Distell will leverage its strength in mainstream wines and spirits and seed and support its cider and premium global brands for medium-term growth.

Material matter/risk description	Mitigating actions/controls
MACRO RISKS	
Climate change	
Extreme weather events can have a negative impact on South African grape and apple production, which affects the security of supply. A water crisis can disrupt production operations.	Distell is optimising its supply chain to be energy and water efficient. Distell is also investing in research to support its need to assure the stability of supply of its key grape and apple juice requirements.
INDUSTRY RISKS	
Increased ready-to-drink (RTD) competition and pricing wars with large competitors	
Increased competition through lower beer prices and a step up in trade investment through promotions, discounts, etc could impact Distell's market share and cost to compete.	Distell is investing in creating a differentiated ready-to-drink (RTD) portfolio with an expanded route-to-market (RTM) footprint in South Africa. Distell is also extracting cost efficiencies from the supply chain to be able to price its core portfolio more competitively.
Proposed alcohol legislation	
Proposed alcohol legislation could include higher taxes, restrictions in alcohol marketing and packaging, a change in the legal drinking age and a limitation on licenced outlets.	Distell is participating in lobby efforts to influence legislation while showing our commitment to broad-based black economic empowerment (BBBEE) transformation in its value chain. Distell is building strong sales, trade marketing and distribution capability to improve in outlet activation and increase its levels of customer service.
Wine demand growth in SA constrained by lower supply	
A continued decline in grape supply stocks are projected in the local industry.	Distell is developing a long-term sourcing raw material for value strategy while developing partnerships with producers to support vineyard expansion in South Africa and Africa.
COMPANY RISKS	
Limited geographical diversification	
Organic business growth, including exports, is unlikely to significantly reduce Distell's exposure to South Africa. Industry consolidation is also increasing the barriers of entry in chosen growth markets.	Mergers and acquisitions will be the main driver of geographic diversification. Distell is pursuing opportunities that are value accretive within the next 5 (five) years.
Lack of momentum in priority growth markets	
Slow incorporation of new acquisitions in growth markets, combined with a lack of momentum to implement the in country production model, will limit Distell's ability to capitalise on assumed benefits in acquisition models.	Distell has developed top management key performance indicators to drive the integration of acquisitions. Distell has also significantly increased its talent pipeline to be able to effectively implement its growth strategies.
Brand equity erosion	
The lack of a focused portfolio can compromise the health of core brands due to insufficient innovation and investment support.	Distell has focused portfolio strategies in place with effective investment support to build brand equity. Distell is also reducing the size of its brand portfolio and asset base to enable more focus.

Material matter/risk description	Mitigating actions/controls
COMPANY RISKS	
Capability build and talent pipeline	
Distell's decentralised model requires excellence in key commercial capabilities, which, in turn, requires sufficient internal talent to support the inorganic growth pipeline	Distell is strengthening its employment policies and practises as well as reward systems, which include short- and long-term incentive schemes, to ensure that the right talent is recruited, developed and retained. Talent gaps are identified and filled through talent management and resourcing processes, which includes recruitment from relevant industry players.
Information and cyber security	
The disruption of information technology systems and loss of valuable and sensitive information and assets are risks to the Distell Group. Failing to comply with tightening legislation poses a threat of significant financial penalties or restrictions.	<p>Distell has established a cyber security internal control framework that is aligned to industry best practise and frameworks that govern internal roles, responsibilities and procedures. To reduce the risk of cyber-attacks, management has launched a vulnerability management programme, which includes cyber security awareness, around phishing and ransom ware.</p> <p>Distell's cyber security technologies are state of the art.</p> <p>Management is currently investing in data leakage prevention technology to avoid the sharing of highly confidential information with unauthorised parties.</p>
Licence to trade	
A perceived lack of progress with Distell's broad-based black economic empowerment (BBBEE) rating could impact its ability to operate.	Distell has developed a robust integrated transformation strategy and implemented a governance structure – the Sustainability Council – which meets quarterly to monitor implementation and progress. Distell has implemented interim scorecard measurements with monthly status updates from scorecard element owners. A monthly progress report is submitted to the Distell Group managing director and the broad-based black economic empowerment (BBBEE) scorecard has been added as a key performance measurement for Distell's short-term incentive scheme.
Ethical supply chain	
Significant product contamination and poor product recall can negatively impact on brand equity and result in reputational damage. This includes procurement from suppliers who may contravene Distell's standards of ethical practises.	Distell has initiated a step-up in quality management and procedures. Suppliers are bound by "Distell's supplier Code of Conduct" to prevent damaging conduct such as unethical labour practises. Ongoing ethics training continues to take place with Distell's employees, distributors, partners and suppliers.
Change management	
Distell's change journey can have a detrimental impact on selected stakeholders. This includes risks related to corporate reputation and the loss of critical skills.	Effective change management initiatives to support and enable Distell's change journey. Distell's talent management process is used to protect critical skills.

EXTRACTS FROM THE RULES OF THE DGHL SAR SCHEME

1. INTERPRETATION

- 1.1 In these Rules, unless inconsistent with the context, the following words and expressions shall have the following meanings –
- 1.1.1 **“Accepted Grant”** means a Grant that has subsequently been Accepted by a Participant and which has accordingly given rise to a SAR;
 - 1.1.2 **“Associate”** means, in relation to the Company, any company or legal entity in which the Company has made an investment, that is neither a Subsidiary nor a joint venture, and which investment is held by the Company as a long-term investment and provides the Company with the ability to exercise significant influence in relation to such company or entity;
 - 1.1.3 **“Capitalisation Issue”** means the issue of Shares on capitalisation of the Company’s profits and/or reserves, including the Company’s share premium account;
 - 1.1.4 **“CSP Scheme”** means the conditional share plan scheme approved in respect of the Company by its shareholder in and during September 2017;
 - 1.1.5 **“Prohibited Period”** means a prohibited period, as defined in the Listings Requirements of the JSE, and regulated in the Financial Markets Act, No 19 of 2012, applicable to the Company from time to time;
 - 1.1.6 **“Committee”** means the remuneration committee of the Board or any other duly authorised committee of the Board constituted by it for purposes of this Scheme, provided that the Committee shall consist of non-executive directors only;
 - 1.1.7 **“Company”** means Business Venture Investments No 1997 Limited (to be renamed Distell Group Holdings Limited), registration number 2016/394974/06, a company duly incorporated in accordance with the laws of South Africa;
 - 1.1.8 **“Control”** means –
 - 1.1.8.1 the holding of Shares, or the aggregate of holdings of Shares, or other securities in the Company entitling the holder thereof to exercise, or cause to be exercised, more than 50% (fifty percent) of the voting rights at shareholders’ meetings of the Company irrespective of whether such holding or holdings confers *de facto* control; or
 - 1.1.8.2 the holding or control by a shareholder alone or pursuant to an agreement with other shareholders of more than 50% (fifty percent) of the voting rights in the Company; or
 - 1.1.8.3 the entitlement, direct or indirect, to appoint the majority of the directors of the Company, and **“Controlled”** shall have a corresponding meaning;
 - 1.1.9 **“Date of Grant”** means the date on which SARs are Granted to an Employee as specified in the Letter of Grant, irrespective of the date on which the SARs granted to an Employee are actually Accepted and/or Exercised;
 - 1.1.10 **“Early Retirement”** means retirement by an Employee from the employ of a Participating Company prior to the prescribed retirement age applicable to him/her with the consent of the board of directors of the relevant Participating Company;
 - 1.1.11 **“Employee”** means a person eligible for participation in the Scheme, namely an officer or other employee employed on a full-time basis by any Participating Company, including executive directors but excluding non-executive directors;
 - 1.1.12 **“Entitlement Date”** means the date on which SARs become exercisable in terms of Rule 7.1, and as stipulated in the Letter of Grant;
 - 1.1.13 **“Exercise”** means the completion of an Exercise Notice by a Participant in terms of Rule 7.1, and the delivery thereof to the Committee as indicated in Rule 15, and **“Exercised”** shall have a corresponding meaning;

- 1.1.14 **“Exercise Date”** means the date of receipt, as contemplated in Rule 15, by the Committee of a completed Exercise Notice;
- 1.1.15 **“Exercise Notice”** means a completed written or electronic notice, in the format provided by the Company in substantially the same format as Annexure C attached hereto, given by a Participant to the Committee in respect of the Exercise of a SAR granted to such Participant;
- 1.1.16 **“Exercise Price”** means the closing price of a Share as quoted by the JSE on the Business Day immediately preceding the date on the Exercise Notice;
- 1.1.17 **“Grant”** means the making of an offer by the Company through the delivery by the Committee of a Letter of Grant to an Employee, and **“Granted”** shall have a corresponding meaning;
- 1.1.18 **“Grant Price”** means the Market Value of a Share on the Business Day immediately preceding the Date of Grant or, in respect of a Grant which expressly replaces a Prior Accepted Grant, the Grant Price of that Prior Accepted Grant;
- 1.1.19 **“Group”** means the Company, its subsidiaries (as such term is defined in section 3 of the Act) and any company which is an Associate of the Company;
- 1.1.20 **“Letter of Grant”** means a document in terms of which a Grant is communicated to an Employee, containing the information in Rule 6.2.1 and substantially in the format as Annexure A (or Annexure B in the case of a Grant which expressly replaces a Prior Accepted Grant) attached hereto;
- 1.1.21 **“Majority Shareholder”** means Remgro Limited, registration number 1968/006415/06, a company duly incorporated in accordance with the laws of South Africa and/or any of its Subsidiaries that holds the majority of the Shares;
- 1.1.22 **“Market Value”** means the closing market price of a Share on the JSE the day immediately prior to the day on which a determination is to be made for the purposes of these Rules, as certified by the Company Secretary;
- 1.1.23 **“Participant”** means an Employee to whom a Grant has been made in terms of this Scheme, and who has Accepted such Grant, including the executor of such Employee’s deceased estate, or such Employee’s heirs and legatees where appropriate, and **“Participation”** shall be construed accordingly;
- 1.1.24 **“Participating Companies”** means the Company and the Group;
- 1.1.25 **“Prior Accepted Grant”** means a grant made to an Employee to participate in the Prior Scheme and which grant was duly accepted but not exercised by the Employee in accordance with the rules of the Prior Scheme;
- 1.1.26 **“Prior Scheme”** means The Distell Equity Settled Share Appreciation Right Scheme 2010 which was adopted by the board of directors of Distell Group Limited (registration number 1988/005808/06) on 25 August 2010, which Scheme was terminated in accordance with its rules;
- 1.1.27 **“Takeover”** means any takeover, merger, reconstruction, however effected, including a reverse takeover, reorganisation or scheme of arrangement, but does not include any event which does not involve any change in Control of the Company or any acquisition by a Majority Shareholder of additional Shares or other securities in the Company;
- 1.1.28 **“Retirement”** means the date with effect from which a Participant retires from the employ of a Participating Company, excluding Early Retirement;
- 1.1.29 **“Rights Issue”** means the offer of any shares of the Company to all ordinary shareholders of the Company *pro rata* to their shareholding in the Company;
- 1.1.30 **“Rules”** means the rules of the Scheme, contained in this document, as amended from time to time;
- 1.1.31 **“SAR”** means share appreciation right which is the right to the excess of the Exercise Price over the Grant Price that vests on the Exercise thereof in a Participant in terms of this Scheme, provided that the Participant will not become entitled to receive the excess in cash, but will be entitled to receive Shares or a portion of a Share in value equal to the excess;
- 1.1.32 **“SAR Period”** means the period from the Date of Grant to midnight on the 7th (seventh) anniversary of the Date of Grant;
- 1.1.33 **“Scheme”** means The Distell Equity Settled Share Appreciation Right Scheme 2017 as constituted by this document, as amended from time to time in terms of Rule 16;

1.1.34 **“Settlement”** means delivery of the required number of Shares to which a Participant will become entitled as a result of the Exercise of his SARs in terms of Rule 8, and **“Settle”** and **“Settled”** shall be construed accordingly;

1.1.35 **“Settlement Date”** within 30 (thirty) days from the Exercise Date;

1.1.36 **“Shares”** means ordinary issued shares in the share capital of the Company;

2. INTRODUCTION

The Scheme is intended as an incentive to selected Employees to promote the continued growth of the Participating Companies. Subject to the terms and conditions hereof, selected Employees will be granted the opportunity of acquiring Shares in the Company in future, with the quantum of their awards based on the future increase in the value of the Shares.

4. OPERATION OF THE SCHEME

4.1 The Committee is responsible for the governance of this Scheme. Subject to the terms and conditions of this Scheme, the Committee will therefore have the final authority to decide, by means of a resolution, on which Employees will participate in this Scheme, the quantum of the Grants to be made to these Employees and all other issues relating to the governance of this Scheme.

4.2 The Committee may from time to time, in their discretion:

4.2.1 call upon the Participating Companies to make recommendations as to which of their respective Employees they intend to incentivise by the making of Grants;

4.2.2 consider the recommendations of the Participating Companies; and

4.2.3 notify the Participating Companies of which of their Employees have been approved for purposes of participation in this Scheme.

4.3 Amongst others, Grants shall be made to Employees based on their remuneration and taking into account the nature and level of their position within a Participating Company.

5. SCHEME LIMITS

5.1 General Limit

The maximum number of Shares that may be delivered to Employees under this Scheme, together with the total number of other Shares that have been set aside for delivery to Employees under the Prior Scheme shall not exceed 10 000 000 (ten million) Shares, subject to the provisions of Rule 1.1.

5.2 Individual limits

The maximum number of Shares that may be delivered to any Participant in respect of this Scheme, together with any other Shares that have been set aside under the Prior Scheme to that Participant, shall not exceed 1 000 000 (one million) Shares, subject to the provisions set out in Rule 21.1.

7. ENTITLEMENT DATE, EXERCISE AND ACCRUAL OF SARs

7.1 Entitlement Date

7.1.1 Notwithstanding anything to the contrary contained in these Rules, but subject to the provisions of Rule 9, the entitlement to Exercise SARs Granted will be as follows –

7.1.1.1 a Participant will not be entitled to exercise any SARs prior to the 3rd (third) anniversary of the Date of Grant;

7.1.1.2 up to 33.3% (thirty-three point three percent) of the SARs Granted may be Exercised on or after the 3rd (third) anniversary of the Date of Grant;

7.1.1.3 up to 66.6% (sixty-six point six percent) of the SARs Granted may be Exercised on or after the 4th (fourth) anniversary of the Date of Grant, to the extent that they have not been Exercised previously;

7.1.1.4 all of the SARs Granted may be Exercised on or after the 5th (fifth) anniversary of the Date of Grant, to the extent that they have not been Exercised previously.

7.1.2 If the SAR Period expires during a Prohibited Period, the SAR Period shall be extended for a period of 90 (ninety) days from the end of the Prohibited Period.

8. SETTLEMENT

- 8.1 Settlement of a SAR is subject to the condition that the Participant who holds that SAR Exercises that SAR. Before a Participant Exercises the SAR after the Entitlement Date, the relevant Participating Company will not be obliged to Settle.
- 8.2 Following the Exercise of SARs by a Participant, the relevant Participating Company will be obliged, by the Settlement Date, to deliver a number of Shares to the Participant equal in value to the excess as calculated in terms of these Rules multiplied with the number of SARs Exercised.
- 8.3 The relevant Participating Companies will Settle the obligation in Rule 8.2 by either purchasing Shares in the market, or by subscribing for new Shares to be allotted and issued by the Company directly to the Participants.
- 8.4 Participants will not be required to pay a subscription price for the Shares issued to them.
- 8.5 In the alternative to Rule 8.2, the relevant Participating Company may, only if in the discretion of the Committee there are exceptional circumstances that make it inappropriate for Shares to be delivered, pay to any Participant an equivalent amount in cash in lieu of any Shares to be delivered to that Participant following the valid Exercise of a SAR in terms of the Scheme.

9. LAPSE OF SARs

- 9.1 All SARs will lapse to the extent not Exercised on the expiry of the SAR Period. If the SAR Period expires during a Prohibited Period, it will be extended for a period of 90 (ninety) days from the end of the Prohibited Period.
- 9.2 If, while any portion of a Participant's SARs remains unexercised, such Participant ceases to be an Employee of any Participating Company by reason of his resignation or dismissal on grounds of misconduct, poor performance or proven dishonest or fraudulent conduct (whether such cessation occurs as a result of notice given by him or otherwise, or where he resigns to avoid dismissal on ground of misconduct, poor performance or proven dishonest or fraudulent conduct), all unexercised SARs, whether the Entitlement Dates have been reached or not, will lapse on such cessation.
- 9.3 In the event that a SAR lapses the Participant that held that SAR will not have any further rights that comprised that SAR against any Participating Company.
- 9.4 If, while any portion of a Participant's SARs remains unexercised, such Participant ceases to be an Employee by reason of his retrenchment, death, or a reason other than listed in Rule 9.2, the Participant, the executor of his deceased estate or his heirs and legatees, as the case may be, may exercise all of the SARs Granted to the Participant at any time within 12 (twelve) months after the date of so ceasing to be an Employee or before the expiry of the SAR Period, whichever is the earlier. SARs not so exercised will lapse.
- 9.5 If, while any portion of a Participant's SARs remains unexercised, such Participant ceases to be an Employee by reason of his Retirement or Early Retirement, then all SARs Granted to such Participant by the Committee will remain in force on the same terms and conditions as set out in these Rules, and such Participant shall be deemed to still be an Employee for the purposes of this Scheme.
- 9.6 For the purposes of this Rule 9, a Participant will not be treated as ceasing to be an Employee of a Participating Company if, on the same date (or such longer period as the Committee may determine in their absolute discretion) on which he ceases to be an Employee of a Participating Company, he is employed by another Participating Company.

10. TAKEOVER

- 10.1 All SARs that have not been Exercised (whether or not the Participant has become entitled to Exercise them) will become immediately Exercisable in the event of a Takeover of the Company.
- 10.2 If there is an internal restructuring or other event which does not involve any change in the Control of the Company, or if a Majority Shareholder acquires additional Shares or other securities in the Company, and therefore such internal restructuring or event is not a Takeover, or if any other event happens which may affect Grants, the Committee may, in its sole and absolute discretion, take such action (if any) as it considers appropriate to protect the interests of Participants, including converting Grants into grants of a substantially similar value, as determined by an Expert, in respect of shares in one or more other companies, provided that the Participants are in a substantially similar position following the implementation of such action.
- 10.3 Where necessary, in respect of any such actions, an Expert whose decision will be final and binding on all persons affected thereby in the absence of manifest error, will confirm to the Committee in writing that these actions are non-prejudicial.

11. VARIATION IN SHARE CAPITAL

11.1 Adjustment to General Limit

In the event of a sub-division or consolidation of the Shares, the Committee shall make such adjustment to the General Limit referred to in Rule 15.1, as to ensure that the General Limit after such sub-division or consolidation represents the same percentage of the Shares in the Company as it represented before such sub-division or consolidation.

11.2 Adjustment to Individual Limit

In the event of a Capitalisation Issue, special dividend, Rights Issue or reduction of the Company's capital, the Committee shall make such adjustment to the Individual Limit referred to in Rule 15.2, as to ensure that the Individual Limit after such Capitalisation Issue, special dividend, Rights Issue or reduction of the Company's capital represents the same percentage of the Shares in the Company as it represented before such Capitalisation Issue, special dividend, Rights Issue or reduction of the Company's capital.

11.3 Adjustments to number and/or Grant Price of SARs Granted

11.3.1 In the event of a Rights Issue, Capitalisation Issue, subdivision of Shares, consolidation of Shares, the Shares ceasing to be listed on the JSE, the Company being put into liquidation for the purpose of reorganisation, or any other event affecting the share capital of the Company, or in the event of the Company making distributions to shareholders in terms of section 46 of the Act, including a distribution *in specie* and a special dividend (other than a dividend paid in the ordinary course of business out of the current year's retained earnings), Participants will continue to participate in this Scheme. The Committee may, however, in its absolute discretion make such adjustments to the number of SARs, or take such other action as may be required, to place Participants in a substantially similar position than they were prior to the happening of the relevant event.

11.3.2 The issue of Shares as consideration for an acquisition, the issue of Shares for cash and the issue of Shares or a vendor consideration placing will not be regarded as a circumstance requiring adjustment in terms of the provisions of this Rule 11.3.

11.3.3 If the Company is placed in liquidation other than for the purposes of reorganisation, any SARs which Participants are not yet entitled to Exercise will *ipso facto* lapse from the date of liquidation. For the purposes hereof "date of liquidation" will mean the date upon which any application for the liquidation of the Company (whether provisional or final) is granted by a South African court.

14. FURTHER CONDITIONS

14.1 The Participants shall pay to their employing Participating Company on demand any employees' tax, stamp duty or uncertificated securities tax, and any other taxes, levies or costs for which a liability may arise as a result of the Exercise of SARs ("**Tax Liabilities**"). In these circumstances, the Participants irrevocably appoint the relevant Participating Company and/or its nominee as their agent to settle the Tax Liabilities to the appropriate party or revenue authority. Participants shall, to the extent that they are not capable of paying the Tax Liabilities on demand, as referred to in this Rule 14.1, irrevocably appoint the Participating Company and/or its nominee as their agent to sell such number of Shares to be delivered to them on Settlement as may be required to enable the Participating Company and/or its nominee to settle the Tax Liabilities to the appropriate party or revenue authority.

14.2 All actions relating to Shares under the Scheme will be subject to any necessary consent under any relevant enactment or regulations.

14.3 The rights of Participants under the Scheme are determined exclusively by these Rules, and nothing in these Rules forms part of a Participant's contract of employment. The rights and obligations of a Participant under the terms and conditions of his/her employment by any Participating Company are not affected by his/her participation in the Scheme or any right he/she may have to participate in it.

14.4 A Participant has no right to compensation or damages or any other sum or benefit in respect of his/her ceasing to participate in the Scheme, or in respect of any loss or reduction of any rights or expectation under the Scheme in any circumstances, except as otherwise set out in these Rules.

14.5 In particular, a Participant will have no claim of whatsoever nature against any Participating Company in the event that the Exercise Price on the Exercise Date or on any other date is less than the Grant Price, or the excess of the Exercise Price over the Grant Price is at any time less than expected by the Participant or any other person or entity.

- 14.6 SARs may not be transferred, ceded (whether as security or as an out-and-out cession), assigned, encumbered or otherwise disposed of by a Participant to any other person, provided that on the death of a Participant, the SARS Granted to him will be transferred to the executor of his deceased estate, or his heirs and legatees as the case may be.
- 14.7 Shares may not be transferred, ceded (whether as security or as an out-and-out cession), assigned, encumbered or otherwise disposed of by a Participant to any other person, until such Shares have been delivered to the Participant as envisaged in Rule 8.2.
- 14.8 A Participant will not be entitled to any voting rights or dividends on the Shares not yet delivered to him.
- 14.9 Grants under the Scheme will not be taken into account in determining a Participant's pensionable entitlement.
- 14.10 Application will be made by the Company for the listing of the Shares as soon as possible after the issue thereof in terms of Rule 8.3.
- 14.11 Where a Participant is transferred from one Participating Company to another Participating Company:
 - 14.11.1 all SARs Granted to such Participant by the Committee will remain in force on the same terms and conditions as set out in these Rules; and
 - 14.11.2 the second Participating Company will assume all of the obligations that may arise in respect of the relevant SARs in consideration for obtaining the Participant's services from the first Participating Company.

16. AMENDMENTS AND TERMINATION

- 16.1 Subject to Rule 6.2 and any applicable law or regulatory provision, the Committee may from time to time in its discretion amend these Rules as it deems fit.
- 16.2 The Committee shall require the prior approval of the shareholders of the Company in general meeting, in the manner provided for in the JSE Listings Requirements, to amend these Rules if such amendment pertains to the alteration of any matter in respect of which the JSE Listings Requirements require the prior approval of the shareholders of the Company.
- 16.3 As soon as reasonably practicable after making any amendments to the Scheme, the Committee will give written notice of such amendment to all Participants.
- 16.4 The Committee may terminate the Scheme and/or accelerate the Entitlement Date at any time, provided that such termination or acceleration shall not prejudice any SARS Granted.

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions and interpretations commencing on page 8 of this Circular apply to this entire document, including the cover page, except where the context indicates a contrary intention.

Action required by Certificated and Dematerialised Distell Shareholders

This document should be read in its entirety with particular attention to the section entitled "Action Required by Distell Shareholders", which commences on page 5 of this Circular.

If you are in any doubt as to what action you should take, please consult your Broker, banker, legal adviser, CSDP or other professional adviser immediately. If you have disposed of all your Distell Shares on or before Friday, 15 September, this Circular should be handed to the purchaser of such Distell Shares or to the Broker, banker, CSDP or other agent through whom the disposal was effected.

Distell does not accept responsibility, and will not be held liable, for any action of, or omission by, any CSDP or Broker including, without limitation, any failure on the part of the CSDP or Broker of any beneficial owner of Distell Shares to notify such beneficial owner of the details set out in this Circular.



DISTELL

Distell Group Limited

(Incorporated in the Republic of South Africa)

(Registration Number: 1988/005808/06)

JSE Code: DST ISIN: ZAE000028668

("Distell" or "the Company")

CIRCULAR TO DISTELL SHAREHOLDERS

Regarding

The restructuring of Distell's multi-tiered ownership structure incorporating:

- a restructuring of Distell through, *inter alia*, Schemes of Arrangement between Distell and the Distell Minorities, and Capevin and the Capevin Shareholders, respectively, in each case to which DGHL is a party, and pursuant to which an aggregate 222 382 356 DGHL Ordinary Shares will be issued to the Distell Minorities and Capevin Shareholders in exchange for their shares in Distell and Capevin respectively;
- the issue of 124 226 613 B Shares in DGHL to Remgro Beverages;
- a waiver by the Distell Minorities of a Mandatory Offer pursuant to the RCI Exchange;
- the listing of all DGHL Ordinary Shares on the JSE; and
- the subsequent delisting of the Distell Shares from the JSE.

and enclosing

- a notice convening the Distell Scheme Meeting;
- a Form of Proxy for the Distell Scheme Meeting (*blue*) (for use by Certificated Distell Shareholders and Dematerialised Distell Shareholders with "own-name" registration only);
- a Form of Surrender and Transfer (*blue*) (for use by Certificated Distell Shareholders only); and
- the independent expert's report in relation to the Distell Scheme and the Waiver Resolution.

The Distell Scheme Meeting will be held on Friday, 27 October 2017

Date of issue: Wednesday, 20 September 2017

**Financial Adviser, Merchant Bank
and Sponsor to Distell and DGHL
Transaction Originator and
Coordinator**



A division of FirstRand Bank Limited
Traditional values. Innovative ideas.

Legal Adviser to DGHL



**Independent expert to the Distell
Independent Board in respect of
the Distell Scheme and
Waiver Exemption**



**Financial Adviser and Transaction Sponsor to
Capevin**



PSG CAPITAL

Legal Adviser to Distell and Capevin



This Circular is only available in English. Copies may be obtained from Distell's website, <https://www.distell.co.za/investor-centre/> or at the registered office of Distell and Rand Merchant Bank, whose addresses are set out in the "Corporate Information and Advisers" section of this Circular, from Wednesday, 20 September 2017 until Friday, 27 October 2017.

CORPORATE INFORMATION AND ADVISERS

Year of incorporation

1988

Place of incorporation

South Africa

Company Secretary and registered office

Lizelle Malan
Distell Group Limited
(Registration number: 1988/005808/06)
Aan-de-Wagenweg
Stellenbosch, 7600
(PO Box 184, Stellenbosch, 7599)

Transfer Secretaries

Computershare Investor Services Proprietary Limited
(Registration number: 2004/003647/07)
Ground Floor, 15 Biermann Avenue, Rosebank
Johannesburg, 2196
(PO Box 61051, Marshalltown, 2107)

Independent expert to the Distell Independent Board in respect of the Distell Scheme and Waiver Exemption

Ernst & Young Advisory Services (Pty) Limited
(Registration number: 2006/018260/07)
Waterway House
3 Dock Road, Waterfront
Cape Town, 8000
(PO Box 656, Cape Town, 8000)

Legal Adviser to DGHL

Edward Nathan Sonnenbergs Incorporated
(Registration number: 2006/018200/21)
97 Dorp Street
Stellenbosch, 7600
(PO Box 940, Stellenbosch, 7599)

Financial Adviser and Transaction Sponsor to Capevin

PSG Capital Proprietary Limited
(Registration number: 2006/015817/07)
1st Floor, Ou Kollege
Building 35 Kerk Street
Stellenbosch, 7600
(PO Box 7403, Stellenbosch, 7599)

Legal Adviser to Distell and Capevin

Cliffe Dekker Hofmeyr Incorporated
(Registration number: 2008/018923/21)
11 Buitengracht Street
Cape Town, 8001
(PO Box 695, Cape Town, 8000)

Financial Adviser and Merchant Bank to Distell and DGHL and Transaction Originator and Coordinator

Rand Merchant Bank
(A division of FirstRand Bank Limited)
(Registration number: 1929/001225/06)
1 Merchant Place
Corner Fredman Drive and Rivonia Road
Sandton, 2196
(PO Box 786273, Sandton, 2146)

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IMPORTANT DATES AND TIMES

2017

Record date to determine which Distell Shareholders are entitled to receive the Distell Circular	Friday, 15 September
Circular posted to Distell Shareholders and notice convening the Distell Scheme Meeting released on SENS	Wednesday, 20 September
Last day for Distell Minorities to make representations to the TRP in respect of the waiver of the Mandatory Offer Requirement	Thursday, 5 October
Last day to trade in order to be recorded in the Register in order to be eligible to attend and vote at the Distell Scheme Meeting	Tuesday, 17 October
Voting Record Date for Distell Shareholders to be recorded in the Register in order to be eligible to attend and vote at the Distell Scheme Meeting	Friday, 20 October
For administrative purposes, date by which Forms of Proxy for the Distell Scheme Meeting are requested to be lodged, by 12h00	Wednesday, 25 October
Form of Proxy to be handed to the chairman of the Distell Scheme Meeting, at any time before the proxy exercises any rights of the Distell Minorities at the Distell Scheme Meeting on	Friday, 27 October
Last date and time for Distell Shareholders to give notice to Distell objecting to the Distell Scheme in terms of section 164 of the Companies Act by 12h00, on	Friday, 27 October
Distell Scheme Meeting to be held at 12h00, Van Ryn's Distillery & Brandy Cellar, Van Ryn Road, Vlottenburg, Stellenbosch, Western Cape, 7600, on	Friday, 27 October
Results of the Distell Scheme Meeting released on SENS	Friday, 27 October
Results of the Distell Scheme Meeting to be published in the press	Monday, 30 October
Company to send notice of the passing of the special resolution approving the Distell Scheme, in terms of section 164(4) of the Companies Act	Monday, 30 October
If (i) all of the resolutions relating to the Distell Scheme and the Waiver are passed by the requisite majority of Distell Minorities at the Distell Scheme Meeting, and (ii) all of the resolutions required to give effect to the RCI Exchange, the Waiver and the Capevin Scheme are passed by Capevin Minorities at the Capevin Scheme Meeting	
Last day for Distell Minorities who voted against the Distell Scheme to require Distell to seek court approval for the Distell Scheme in terms of section 115(3) (a) of the Companies Act	Friday, 3 November
Last day to send notice of adoption of special resolutions in accordance with section 164(4) of the Companies Act	Friday, 10 November
Last day for Distell Minorities who voted against the Distell Scheme to apply to court for leave to apply for a review of the Distell Scheme in terms of section 115(3)(b) of the Companies Act	Friday, 10 November

2018

Anticipated receipt of approval of the South African Competition Authorities on or before	Monday, 29 January
Receive compliance certificate from the TRP	Monday, 29 January

If all Conditions Precedent relating to the Distell Scheme are fulfilled or waived (to the extent applicable)

2018

Finalisation announcement expected to be released on SENS	Monday, 29 January
Implementation of RCI Exchange and B Share Issuance	Monday, 29 January
Finalisation announcement expected to be published in the press	Tuesday, 30 January
Last day to trade in order for Capevin Shareholders to be recorded on the Capevin securities register on the Capevin Record Date	Tuesday, 6 February
Capevin Shares expected to be suspended on the JSE trading system	Wednesday, 7 February
DGHL Ordinary Shares to be allocated to Capevin Shareholders listed on the JSE	Wednesday, 7 February
Capevin Shareholders can trade their entitlement to DGHL Ordinary Shares	Wednesday, 7 February
Last day to trade in order for Distell Shareholders to be recorded on the Register on the Distell Record Date	Thursday, 8 February
Distell Shares expected to be suspended on the JSE trading system	Friday, 9 February
DGHL Ordinary Shares to be allocated to Distell Shareholders listed on the JSE	Friday, 9 February
Distell Shareholders can trade their entitlement to DGHL Ordinary Shares	Friday, 9 February
Expected Capevin Record Date on which Capevin Shareholders must be recorded in the Capevin securities register to participate in the Capevin Scheme	Friday, 9 February
Implementation of the Capevin Scheme (Capevin Operative Date)	Monday, 12 February
Capevin Shareholders' CSDP or Broker accounts updated to reflect their DGHL Ordinary Shares	Monday, 12 February
Expected termination of the listing of Capevin Shares at commencement of trade on the JSE	Tuesday, 13 February
Expected Distell Record Date on which Distell Shareholders must be recorded in the Register to participate in the Distell Scheme	Tuesday, 13 February
Implementation of the Distell Scheme (Distell Operative date)	Wednesday, 14 February
Distell Shareholders' CSDP or Broker accounts updated to reflect their DGHL Ordinary Shares	Wednesday, 14 February
Expected termination of the listing of Distell Shares at commencement of trade on the JSE	Thursday, 15 February

Notes:

1. All times shown above are South African local times.
2. All dates and times in respect of the Transaction are subject to change. The above dates have been determined based on certain assumptions regarding the Transaction. The above dates will also change to the extent that the requisite approvals of the relevant South African Competition Authorities and/or Foreign Competition Authorities have not been obtained by Monday, 29 January 2018. If the relevant dates in respect of the Transaction change and the dates above are impacted, the changes will be released on SENS and published in the press.
3. It should be noted that although Distell will send the required notice to Dissenting Distell Shareholders, if any, in terms of section 164(4) of the Companies Act on Monday, 30 October 2017, the last day for sending this notice is 10 Business Days after the date of the Distell Scheme Meeting.
4. Share certificates in respect of Distell Shares may not be Dematerialised or rematerialised from Friday, 9 February 2018.

ACTION REQUIRED BY DISTELL SHAREHOLDERS

The definitions and interpretations commencing on page 8 of this Circular apply to this “Action required by Distell Shareholders” section of the Circular.

This Circular is important and requires your immediate attention. The action you need to take is set out below. If you are in any doubt as to the action you should take, please consult your Broker, CSDP, banker, legal adviser, accountant or other professional adviser immediately. If you have disposed of all of your Distell Shares, please forward this Circular to the person to whom you have disposed of such Distell Shares or the Broker, CSDP, banker or other agent through whom you disposed of such Distell Shares.

Without derogating from the generality of the foregoing, the attention of Distell Shareholders who hold their Distell Shares in Certificated form are specifically drawn to the provisions of paragraph 3 below.

The Distell Scheme Meeting will be held at 12h00 on Friday, 27 October 2017, at Van Ryn’s Distillery & Brandy Cellar, Van Ryn Road, Vloottenburg, Stellenbosch, 7600, to consider and, if deemed fit, pass the resolutions required to authorise and effect the implementation of the Transaction by Distell. A notice to convene the Distell Scheme Meeting is attached to and forms part of this Circular.

ACTION REQUIRED BY DISTELL SHAREHOLDERS:

1. DEMATERIALISED DISTELL SHAREHOLDERS OTHER THAN WITH “OWN NAME” REGISTRATION

1.1 Voting at the Distell Scheme Meeting

Your Broker or CSDP should contact you to ascertain how you wish to cast your vote at the Distell Scheme Meeting and thereafter cast your vote in accordance with your instructions.

If you have not been contacted by your Broker or CSDP, it is advisable for you to contact your Broker or CSDP and furnish them with your voting instructions.

If your Broker or CSDP does not obtain voting instructions from you, they will be obliged to vote in accordance with the instructions contained in the custody agreement concluded between you and your Broker or CSDP.

You must **not** complete the attached Form of Proxy (*blue*).

1.2 Attendance and representation at the Distell Scheme Meeting

In accordance with the mandate between you and your Broker or CSDP, you must advise your Broker or CSDP if you wish to attend the Distell Scheme Meeting. If so, your Broker or CSDP will issue the necessary letter of representation to you to attend the Distell Scheme Meeting.

1.3 Surrender of Documents of Title

You must **not** complete the attached Form of Surrender and Transfer (*blue*).

1.4 Entitlement Ratio

If the Distell Scheme becomes operative, Distell Scheme Participants’ accounts at their CSDP or Broker will be updated to reflect the receipt of DGHL Ordinary Shares in the Entitlement Ratio and the transfer of their Distell Shares to DGHL. As a result of the entitlement ratio being on a one-for-one basis, no rounding down and paying out of fractions is applicable. Should the Distell Scheme not become operative, you will retain your Distell Shares and will not be entitled to receive DGHL Ordinary Shares.

2. DEMATERIALISED DISTELL SHAREHOLDERS WITH “OWN NAME” REGISTRATION

2.1 Voting and attendance at the Distell Scheme Meeting

You may attend the Distell Scheme Meeting in person and may vote at the Distell Scheme Meeting.

Alternatively, you may appoint a proxy to represent you at the Distell Scheme Meeting by completing the attached Form of Proxy (*blue*) in relation to the Distell Scheme Meeting in accordance with the instructions it contains. It is requested that, for administration purposes, the Form of Proxy be returned to the registered office of the Company or the Transfer Secretaries to be received by no later than 12h00 on Wednesday, 25 October 2017. The Form of Proxy may however be handed to the

chairman of the Distell Scheme Meeting, at any time before the proxy exercises any rights of the Distell Minorities at the Distell Scheme Meeting.

2.2 **Surrender of Documents of Title**

You must **not** complete the attached Form of Surrender and Transfer (*blue*).

2.3 **Entitlement Ratio**

If the Distell Scheme becomes operative, Distell Scheme Participants' accounts at their CSDP or Broker will be updated to reflect the receipt of DGHL Ordinary Shares in the Entitlement Ratio and the transfer of their Distell Shares to DGHL. As a result of the entitlement ratio being on a one-for-one basis, no rounding down and paying out of fractions is applicable. Should the Distell Scheme not become operative, you will retain your Distell Shares and will not be entitled to receive DGHL Ordinary Shares.

3. **CERTIFICATED DISTELL SHAREHOLDERS**

If you hold Distell Shares in Certificated form, you should pay special attention to the provisions of this paragraph 3. If you are in any doubt as to what action you should take, please consult your Broker, CSDP, banker, legal adviser or other professional adviser.

3.1 **Voting and attendance at the Distell Scheme Meeting**

You may attend the Distell Scheme Meeting in person and may vote at the Distell Scheme Meeting.

Alternatively, you may appoint a proxy to represent you at the Distell Scheme Meeting by completing the attached Form of Proxy (*blue*) in relation to the Distell Scheme Meeting in accordance with the instructions it contains. It is requested that, for administrative purposes, the Form of Proxy be returned to the registered office of the Company or the Transfer Secretaries to be received by no later than 12h00 on Wednesday, 25 October 2017. The Form of Proxy may however be handed to the chairman of the Distell Scheme Meeting, at any time before the proxy exercises any rights of the Distell Minorities at the Distell Scheme Meeting.

3.2 **Surrender of documents and Entitlement Ratio**

If you wish to expedite receipt of the DGHL Ordinary Shares owing to you in respect of your Distell Shares and surrender your Documents of Title in respect of your Distell Shares in anticipation of the Distell Scheme becoming operative, you should complete the attached Form of Surrender and Transfer (*blue*) and return it, together with the relevant Documents of Title, relating to all your Distell Shares, in accordance with the instructions contained therein to the Transfer Secretaries by no later than 12h00 on Tuesday, 13 February 2018. In accordance with the FMA, the DGHL Ordinary Shares owing to you in respect of your Distell Shares, calculated in accordance with the Entitlement Ratio, will be transferred to you in Dematerialised form by electronic means.

Subject to paragraphs 4 and 5 below, you must complete the Form of Surrender and Transfer (*blue*) and return it together with the relevant share certificates or other Documents of Title in relation to your Distell Shares, to the Transfer Secretaries so as to receive your DGHL Ordinary Shares, calculated in accordance with the Entitlement Ratio.

If:

- (i) you fail to complete and return the Form of Surrender and Transfer (*blue*) as aforesaid, or
- (ii) in the Form of Surrender, and Transfer (*blue*), you fail to provide any account details, or provide incorrect account details, of your CSDP or Broker, into which your DGHL Ordinary Shares are to be transferred,

your DGHL Ordinary Shares will be transferred in Dematerialised form to an account in the name of Computershare Nominees Proprietary Limited, the nominee of Computershare Proprietary Limited's CSDP, who will, subject to what is stated below, hold such DGHL Ordinary Shares as the registered holder thereof but for and on your behalf, and you will become an Issuer Nominee Dematerialised DGHL Ordinary Shareholder. The beneficial ownership of such DGHL Ordinary Shares will remain with you, as the relevant Issuer Nominee Dematerialised DGHL Ordinary Shareholder but subject to what is stated below, and will be recorded on a sub-register (also commonly known as the nominee sub-register) maintained by Computershare Proprietary Limited. Issuer Nominee Dematerialised DGHL Ordinary Shareholders will receive a statement from Computershare Proprietary Limited, which will confirm the number of DGHL Ordinary Shares held by such Issuer Nominee Dematerialised DGHL Ordinary Shareholder. Issuer Nominee Dematerialised DGHL Ordinary Shareholders will have the option to move their DGHL Ordinary Shares to their own brokerage/CSDP account or to materialise and Certify their DGHL Ordinary Shares, at any stage but subject to what is stated

below. Issuer Nominee Dematerialised DGHL Ordinary Shareholders will be bound by the provisions of Strate's rules and directives in respect of their DGHL Ordinary Shares held in the nominee sub-register, and will be deemed to have concluded a custody agreement with Computershare Proprietary Limited, which establishes a business relationship between Computershare Proprietary Limited and each Issuer Nominee Dematerialised DGHL Ordinary Shareholder. A copy of the custody agreement, which will be deemed to have been concluded in such circumstances, is available on the Computershare website at www.computershare.com.

Shareholders should note that should any Issuer Nominee Dematerialised DGHL Ordinary Shareholder fail to arrange with Computershare Proprietary Limited for either the transfer of their DGHL Ordinary Shares from the nominee sub-register into their own brokerage/CSDP account or to materialise and Certificate their DGHL Ordinary Shares within 3 years after the Distell Operative Date, the DGHL Ordinary Shares due to such Issuer Nominee Dematerialised DGHL Ordinary Shareholder will be disposed of at the ruling market price and the disposal consideration, less the costs incurred in disposing of the DGHL Ordinary Shares, will be paid to the benefit of the Guardian's Fund of the Master of the High Court. The proceeds of such disposal may be claimed by the relevant Issuer Nominee Dematerialised DGHL Ordinary Shareholder, subject to the requirements imposed by the Master of the High Court. In this regard, each Issuer Nominee Dematerialised DGHL Ordinary Shareholder irrevocably authorises and appoints Distell (or its successor-in-title), in *rem suam*, with full power of substitution, to act as its agent and in its name, place and stead to dispose of such Issuer Nominee Dematerialised DGHL Ordinary Shareholder's DGHL Shares and to pay the proceeds to the benefit of the Guardian's Fund in the aforesaid manner.

You should note that if the Distell Scheme becomes operative, you will have to surrender your Documents of Title in respect of your Distell Shares in exchange for the DGHL Ordinary Shares owing to you in respect of the Distell Scheme, irrespective of whether you voted in favour of the Distell Scheme or not.

If the Distell Scheme does not become operative, you will retain your Distell Shares and will not be entitled to receive DGHL Ordinary Shares.

4. GENERAL

- 4.1 If you wish to Dematerialise your Distell Shares, please contact your CSDP or Broker.
- 4.2 You do not need to Dematerialise your Distell Shares to participate in the Distell Scheme or to receive the DGHL Ordinary Shares, calculated in accordance with the Entitlement Ratio.
- 4.3 Distell may dispense with the requirement for the surrender of share certificates in respect of Distell Shares upon the production of evidence, satisfactory to Distell, that such share certificates have been lost or destroyed and upon provision of a suitable indemnity on terms satisfactory to Distell.
- 4.4 If your share certificates relating to the Distell Shares to be surrendered have been lost or destroyed and you are a Certificated Distell Shareholder, you should nevertheless return the Form of Surrender and Transfer (*blue*), duly signed and completed, to the Transfer Secretaries together with a duly completed indemnity form, which is obtainable from the Transfer Secretaries.

5. DISSENTING DISTELL SHAREHOLDERS

- 5.1 A detailed explanation of the Distell Shareholder Appraisal Rights is contained in paragraph 18 of the Circular.
- 5.2 Copies of sections 115 and 164 of the Companies Act, pertaining to the Distell Shareholder Appraisal Rights, is set out in Annexure 5 to this Circular.

6. TAKEOVER REGULATION PANEL APPROVALS

The TRP approval only relates to the Distell Scheme of Arrangement and the waiver of the Mandatory Offer. Further, Distell Shareholders should take note that the TRP does not consider commercial advantages or disadvantages of the affected transactions when it approves such transactions.

DEFINITIONS AND INTERPRETATIONS

In this Circular and its annexures, unless otherwise stated or the context indicates otherwise, the words and expressions in the first column shall have the meanings stated opposite them in the second column, and words and expressions in the singular shall include the plural and vice versa, words importing natural persons shall include juristic persons and unincorporated associations of persons and vice versa, and any reference to one gender shall include the other genders.

“Act in Concert”	bears the meaning ascribed thereto in terms of section 117 of the Companies Act, and “Acting in Concert” will have a corresponding meaning;
“Adjustment Event”	bears the meaning ascribed thereto in the B Share Terms;
“Authorised Dealer”	a person authorised to deal in foreign exchange as contemplated in the Exchange Control Regulations;
“B Share Issuance”	the issue of 124 226 613 B Shares to Remgro Beverages by DGHL, as detailed more fully in paragraph 5.1.ii of this Circular;
“B Share Linking”	the linking of the B Shares, issued to Remgro Beverages pursuant to the B Share Issuance, to the RCI-Related Ordinary Shares held by Remgro Beverages, by virtue of the provisions of the DGHL MOI, including the B Share Terms, as detailed in paragraph 11.6 of this Circular;
“B Share Ratio”	2.117 B Shares for every 1 DGHL Ordinary Share;
“B Share Terms”	the preferences, rights, limitations and other share terms attaching to the B Shares, as detailed in Annexure 6 of this Circular;
“B Shareholder/s”	(a) registered holder/s of (a) B Share/s;
“B Share/s”	unlisted, non-convertible, no par value shares of DGHL which have the preferences, rights, limitations and other share terms as detailed in the B Share Terms and summarised in paragraph 11 of this Circular;
“Broker”	any person registered as a “broking member equities” in terms of the rules of the JSE in accordance with the provisions of the FMA;
“Business Day”	any day other than a Saturday, Sunday or official public holiday in South Africa;
“Capevin”	Capevin Holdings Limited (registration number: 1997/020857/06), a company incorporated in accordance with the company laws of South Africa, whose securities are listed on the JSE;
“Capevin Circular”	the circular issued to Capevin Shareholders, on or about Wednesday, 20 September 2017, in compliance with the Companies Act, the Companies Regulations and the Listings Requirements, in terms of which approval is sought for the issue of the RCI-Related Capevin Shares in terms of the RCI Exchange, the Waiver Resolution and the Capevin Scheme which will result in the Capevin Delisting;
“Capevin CSP Meeting”	the general meeting of Capevin Shareholders to be held in accordance with the Capevin Incentive Plan Circular;
“Capevin Delisting”	the removal of all Capevin Shares from the list of securities admitted to listing on the JSE, as detailed more fully in paragraph 5.1.vii of this Circular;
“Capevin Incentive Plan Circular”	the circular issued to Capevin Shareholders simultaneously with, and accompanying, the Capevin Circular in terms of which an advisory vote is sought from the Capevin Shareholders in respect of the CSP Scheme, as detailed more fully in paragraph 15 below;
“Capevin Independent Board”	the independent board of directors of Capevin, identified as such in the Capevin Circular;
“Capevin Minorities”	all Capevin Shareholders other than Remgro International;
“Capevin Operative Date”	the date upon which the Capevin Scheme becomes operative, which (assuming all Conditions Precedent have been fulfilled or waived) is expected to be Monday, 12 February 2018;

“Capevin Record Date”	the date and time at which Capevin Shareholders must be recorded in the securities register of Capevin to participate in the Capevin Scheme and receive their DGHL Ordinary Shares, expected to be 17h00 on Friday, 9 February 2018;
“Capevin Scheme”	the Scheme of Arrangement between Capevin and the Capevin Shareholders and to which DGHL is a party, as detailed in the Capevin Circular;
“Capevin Scheme Meeting”	the general meeting of Capevin Shareholders to be held at the Burgher House, corner of Alexander and Blom Streets, Stellenbosch, 7600, on Friday, 27 October 2017 in order to consider and, if deemed fit, pass the special and ordinary resolutions necessary to give effect to the issue of the RCI-Related Capevin Shares to Remgro International in order to implement the RCI Exchange, the Waiver Resolution and the Capevin Scheme, which will result in the Capevin Delisting;
“Capevin Scheme Participants”	those Capevin Shareholders who are entitled to participate in the Capevin Scheme in accordance with the terms of the Capevin Scheme as set out in the Capevin Circular;
“Capevin Shareholder Appraisal Rights”	the rights in terms of section 164 of the Companies Act which Capevin Minorities will be entitled to exercise pursuant to the approval of the Capevin Scheme;
“Capevin Shareholders”	all holders of Capevin Shares;
“Capevin Shares”	ordinary shares with no par value in the capital of Capevin;
“Certificate” and “Certificated”	the process by which electronic records of ownership of shares are replaced with paper share certificates and/or other Documents of Title;
“Certificated Distell Shareholders”	holders of Certificated Distell Shares;
“Certificated Distell Shares”	Distell Shares which are represented by a share certificate or other Document(s) of Title, which are not Dematerialised Distell Shares;
“CGT”	Capital Gains Tax as determined in terms of the Eighth Schedule of the Income Tax Act;
“CIPC”	the Companies and Intellectual Property Commission;
“Circular” or “Distell Circular”	this bound document issued to Distell Shareholders on or about Wednesday, 20 September 2017, including the annexures hereto, and incorporating a notice convening the Distell Scheme Meeting, a Form of Proxy (<i>blue</i>) and a Form of Surrender and Transfer (<i>blue</i>);
“Circulars”	collectively the Capevin Circular and this Distell Circular;
“Common Monetary Area”	South Africa, the Republic of Namibia and the Kingdoms of Swaziland and Lesotho;
“Companies Act”	the Companies Act, 2008 (Act 71 of 2008), as amended;
“Competition Act”	the Competition Act, 1998 (Act 89 of 1998), as amended;
“Competition Authorities”	the South African Competition Authorities and the Foreign Competition Authorities;
“Companies Regulations”	the Companies Regulations, 2011, as amended;
“Company Secretary”	the company secretary of Distell;
“Conditions Precedent”	the conditions precedent, to which the Distell Scheme is subject, as detailed in paragraph 6 of this Circular;
“Coronation”	Coronation Asset Management Proprietary Limited (registration number: 1993/002807/07), a company incorporated in accordance with the company laws of South Africa;
“CSDP”	a Central Securities Depository Participant registered in terms of the FMA;

“CSP Scheme”	the proposed conditional share plan scheme which may be applicable in respect of Distell and DGHL and which, in respect of DGHL, has been conditionally approved by Remgro Beverages, as sole shareholder of DGHL as detailed more fully in Section Four paragraph 4.3 of the Prospectus and paragraph 15 of this Circular, as read with the Incentive Plan Circulars;
“Dematerialise” and “Dematerialised”	the process by which paper share certificates or other Documents of Title are replaced with electronic records of ownership under Strate with a duly appointed CSDP or Broker, as the case may be;
“Dematerialised Distell Shareholders”	Distell Shareholders holding Dematerialised Distell Shares;
“Dematerialised Distell Shares”	Distell Shares which have been Dematerialised;
“DGHL”	Business Venture Investments No 1997 Limited (registration number 2016/394974/06), a company incorporated in accordance with the company laws of South Africa, whose ordinary shares are to be listed on the JSE and which is to be renamed “Distell Group Holdings Limited” immediately after the Transaction becomes unconditional;
“DGHL Directors”	the directors of DGHL;
“DGHL Group”	DGHL and its Subsidiaries from time to time which, after implementation of the Transaction, will include the Distell Group, Capevin and RCI, and which in appropriate circumstances will mean any 1 or more member/s of the DGHL Group;
“DGHL Listing”	the proposed listing of 222 382 356 DGHL Ordinary Shares on the JSE in the Beverages sector under the abbreviated name “DGH” and ISIN ZAE000248811, which, in respect of the 117 348 000 DGHL Ordinary Shares to be issued in terms of the Capevin Scheme, will be with effect from the commencement of business on Wednesday, 7 February 2018 and, in respect of the 105 034 356 DGHL Ordinary Shares to be issued in terms of the Distell Scheme, will be with effect from the commencement of business on Friday, 9 February 2018;
“DGHL MOI”	DGHL’s memorandum of incorporation, extracts of which are provided in Annexure E to the Prospectus;
“DGHL Ordinary Shareholders”	all holders of DGHL Ordinary Shares;
“DGHL Ordinary Shares”	ordinary shares with no par value in the capital of DGHL, which are to be listed on the JSE in terms of the DGHL Listing;
“Dissenting Distell Shareholders”	Distell Shareholders who deliver a Valid Demand to Distell;
“Distell” or the “Company”	Distell Group Limited (registration number: 1988/005808/06), a company incorporated in accordance with the company laws of South Africa, whose securities are listed on the JSE;
“Distell CSP Meeting”	the general meeting of Distell Shareholders to be held in accordance with the Distell Incentive Plan Circular;
“Distell Delisting”	the removal of the Distell Shares from the list of securities admitted to listing on the JSE, as detailed more fully in paragraph 5.1.vii of this Circular;
“Distell Directors”	the board of directors of Distell as at the Last Practicable Date, whose details and further information appear on page 15 of this Circular;
“Distell Employee Scheme”	the Distell Equity Settled Share Appreciation Right Scheme approved by the Distell Shareholders at Distell’s annual general meeting held in 2010;
“Distell Financial Information”	the audited financial information of Distell for the three years ended 30 June 2017 annexed to the Prospectus as Annexure B, and the further financial information of Distell provided in paragraph 19 of this Circular;
“Distell Group”	Distell and its Subsidiaries from time to time which, after implementation of the Transaction, will form part of the DGHL Group, and which in appropriate circumstances will mean any one or more member/s of the Distell Group;

“Distell Incentive Plan Circular”	the circular issued to Distell Shareholders simultaneously with, and accompanying, this Distell Circular in terms of which (i) an advisory vote is sought from the Distell Shareholders in respect of the CSP Scheme, as detailed more fully in paragraph 15 below, and (ii) approval is sought from the Distell Shareholders for the implementation of a conditional share plan scheme in respect of Distell on terms which are substantially similar to those of the DGHL CSP Scheme;
“Distell Independent Board”	the independent board of directors of Distell, identified as such in paragraph 27 and in Annexure 7 of this Circular;
“Distell Minorities”	all Distell Shareholders other than RCI;
“Distell Operative Date”	the date upon which the Distell Scheme becomes operative, which (assuming all Conditions Precedent have been fulfilled) is expected to be Wednesday, 14 February 2018;
“Distell Record Date”	the date and time at which Distell Shareholders must be recorded in the Register to participate in the Distell Scheme and receive their DGHL Ordinary Shares, expected to be 17h00 on Tuesday, 13 February 2018;
“Distell Scheme”	the Scheme of Arrangement between Distell and the Distell Minorities and to which DGHL is a party, as detailed in paragraph 3.1 of this Circular;
“Distell Scheme Meeting”	the Scheme meeting of Distell Minorities to be held at 12h00 on Friday, 27 October 2017, at Van Ryn’s Distillery & Brandy Cellar, Van Ryn Road, Vlottenburg, Stellenbosch, 7600 in order to consider and, if deemed fit, pass the special and ordinary resolutions of Distell necessary to give effect to the Distell Scheme and Waiver, which will result in the Distell Delisting;
“Distell Scheme Participants”	Distell Shareholders recorded as such in the Register on the Distell Record Date, excluding Dissenting Distell Shareholders who do not subsequently become Scheme Participants as envisaged in paragraph 18.6;
“Distell Shareholder Appraisal Rights”	the rights in terms of section 164 of the Companies Act which Distell Shareholders will be entitled to exercise pursuant to the approval of the Distell Scheme;
“Distell Shareholders”	all holders of Distell Shares;
“Distell Shares”	ordinary shares with a par value of R0.01 each in the capital of Distell;
“Documents of Title”	share certificates, certified transfer deeds, balance receipts or any other documents of title to shares;
“Entitlement Ratio”	1 DGHL Ordinary Share for every 1 Distell Share held by a Distell Shareholder on the Distell Record Date;
“Exchange Control Regulations”	the Exchange Control Regulations, 1961, as amended, promulgated in terms of section 9 of the South African Currency and Exchanges Act, 1993 (Act 9 of 1993), as amended;
“Excluded Foreign Distell Shareholders”	Distell Shareholders resident or who have registered addresses in the United Kingdom, European Economic Area, Canada, United States of America, Japan or Australia;
“FMA”	the Financial Markets Act, 2012 (Act 19 of 2012), as amended;
“Foreign Competition Authorities”	the competition authorities (if any) having jurisdiction in the countries listed in Annexure K to the Prospectus;
“Foreign Distell Shareholders”	Distell Shareholders not resident in South Africa;
“FSB”	the Financial Services Board established in terms of section 2 of the Financial Services Board Act, 1990 (Act 97 of 1990), as amended;
“IFRS”	the International Financial Reporting Standards, which comprise standards and interpretations approved by the International Accounting Standards Board, International Financial Reporting Interpretations Committee and International Accounting Standards, and Standing Interpretations Committee interpretations approved by the International Accounting Standards Board;

“Incentive Plan Circulars”	collectively the Distell Incentive Plan Circular and the Capevin Incentive Plan Circular;
“Income Tax Act”	the Income Tax Act, 1962 (Act 58 of 1962), as amended;
“Issuer Nominee Dematerialised DGHL Shareholders”	if the Distell Scheme is implemented, DGHL Ordinary Shareholders who, prior to implementation of the Distell Scheme and whilst they were Certificated Distell Shareholders, (i) failed to complete and return a Form of Surrender and Transfer (<i>blue</i>) in accordance with the instructions contained therein or (ii) in the Form of Surrender and Transfer (<i>blue</i>) failed to provide any account details, or provided incorrect account details, of a CSDP or broker, into which the relevant DGHL Ordinary Shares were to be transferred;
“JSE”	the exchange licenced under the FMA and operated by JSE Limited (registration number: 2005/022939/06), a company incorporated in accordance with the company laws of South Africa;
“Last Practicable Date”	the last practicable date prior to the finalisation of the Circular, being Wednesday, 13 September 2017;
“Linked Ordinary Shares”	the RCI-Related Ordinary Shares held by Remgro Beverages following the Remgro Exchange which are, by virtue of the B Share Linking, linked to the B Shares issued to Remgro Beverages in terms of the B Share Issuance, further details of which are contained in paragraph 11.6 of this Circular;
“Listings Requirements”	the JSE Listings Requirements, as amended from time to time;
“Mandatory Offer”	means a “mandatory offer” as contemplated in section 123 of the Companies Act;
“Mandatory Offer Requirement”	the obligation on Remgro International under the Takeover Regulations to make, and the right of the Distell Minorities and Capevin Minorities, respectively, to receive, a Mandatory Offer pursuant to the implementation of the RCI Exchange;
“Non-RCI Related Ordinary Shares”	the DGHL Ordinary Shares to be issued to Remgro International in terms of the Capevin Scheme in respect of Remgro International’s Prior Capevin Shares;
“Non-resident”	a person who is not considered to be an ordinary resident in South Africa in terms of the Exchange Control Regulations;
“Option Event/s”	the event/s which trigger DGHL’s right to repurchase the B Shares held by some or all of the holders thereof (depending on the event concerned), as detailed in the B Share Terms and summarised in paragraph 11 of this Circular;
“PIC”	Public Investment Corporation SOC Limited (registration number: 2005/009094/30), a company incorporated in accordance with the company laws of South Africa acting as agent and representative of the Government Employees Pension Fund, existing as a juristic person in terms of the Government Employees Pension Law, 1996 (Act 21 of 1996) as amended;
“Prior Capevin Shares”	all Capevin Shares held by Remgro International immediately prior to implementation of the RCI Exchange;
“Prospectus”	the DGHL prospectus and its annexures, registered with CIPC on or about Friday, 15 September 2017, which has been prepared in compliance with the Companies Act and the Listings Requirements and which is issued simultaneously with, and accompanies, this Distell Circular to Scheme Participants;
“Rand” or “R” or “ZAR” and “cents”	South African Rand and cents, the official currency of South Africa;
“Rand Merchant Bank”	Rand Merchant Bank, a division of FirstRand Bank Limited (registration number: 1929/001225/06), a company incorporated in accordance with the company laws of South Africa;
“RCI”	Remgro-Capevin Investments Proprietary Limited (registration number: 1965/005620/07), a company incorporated in accordance with the company laws of South Africa;

“RCI Exchange”	the issue by Capevin of further Capevin Shares to Remgro International in exchange for the transfer to Capevin of all the shares in RCI held by Remgro International, as detailed more fully in paragraph 5.1.iii of this Circular;
“RCI-Related Capevin Shares”	the Capevin Shares to be issued to Remgro International in terms of the RCI Exchange;
“RCI-Related Ordinary Shares”	the DGHL Ordinary Shares to be issued to Remgro International in terms of the Capevin Scheme in respect of Remgro’s RCI-Related Capevin Shares;
“Register”	the register of Certificated Distell Shareholders maintained by the Transfer Secretaries and the sub-register of Dematerialised Distell Shareholders maintained by the relevant CSDPs in accordance with section 50 of the Companies Act;
“Related Parties”	bears the meaning ascribed thereto in section 2 of the Companies Act;
“Remgro”	Remgro Limited (registration number: 1968/006415/06), a company incorporated in accordance with the company laws of South Africa, whose ordinary shares are listed on the JSE;
“Remgro Beverages”	Remgro Beverages Proprietary Limited (registration number: 2016/394940/07), a company incorporated in accordance with the company laws of South Africa and which is a wholly owned subsidiary of Remgro;
“Remgro Exchange”	the issue by Remgro Beverages of shares in Remgro Beverages to Remgro International in exchange for the transfer to Remgro Beverages of the DGHL Ordinary Shares held by Remgro International following implementation of the Capevin Scheme, as detailed more fully in paragraph 3.4 of this Circular;
“Remgro Group”	Remgro and its Subsidiaries from time to time, and which in appropriate circumstances will mean any one or more member/s of the Remgro Group;
“Remgro International”	Remgro International Holdings Proprietary Limited (registration number: 1968/006356/07), a company incorporated in accordance with the company laws of South Africa and which is a wholly owned subsidiary of Remgro;
“SAR/s”	equity settled share appreciation right/s granted in terms of either or both of the Distell Employee Scheme and the DGHL SAR Scheme;
“SAR Participant”	selected employees and executive directors of the various companies within the DGHL Group;
“SARB”	the South African Reserve Bank;
“Scheme of Arrangement”	a scheme of arrangement in terms of section 114 of the Companies Act;
“Scheme Participants”	the Distell Scheme Participants and the Capevin Scheme Participants;
“Schemes”	the Distell Scheme and the Capevin Scheme;
“SENS”	the Stock Exchange News Service of the JSE;
“South Africa” or “SA”	the Republic of South Africa;
“South African Competition Authorities”	the competition commission established in terms of Chapter IV, Part A of the Competition Act, or the competition tribunal established in terms of Chapter IV, Part B of the Competition Act, or the appeal court established pursuant to Chapter 4, Part C of the Competition Act, as the case may be;
“Strate”	Strate Proprietary Limited (registration number: 1998/022242/07), a company incorporated in accordance with the company laws of South Africa and registered as a central securities depository responsible for the electronic clearing and settlement of trades on the JSE;
“STT”	securities transfer tax payable in respect of the transfer of shares in terms of the Securities Transfer Tax Act, 2007 (Act 25 of 2007), as amended;
“Subsidiaries” and “Subsidiary”	bears the meaning ascribed thereto in the Companies Act;
“Takeover Special Committee”	means the Takeover Special Committee, established in terms of section 202 of the Companies Act;

“Total Voting Rights”	all voting rights exercisable in respect of matters generally to be decided on by the shareholders of DGHL which, for the avoidance of doubt, includes the voting rights attaching to all Linked Ordinary Shares, B Shares and all DGHL Ordinary Shares which are not Linked Ordinary Shares;
“Transaction”	bears the meaning ascribed thereto in paragraph 5 of this Circular;
“Transaction Step/s”	any 1 or more or all of the steps making up the Transaction, as detailed in paragraph 5 of this Circular;
“Takeover Regulations”	the Takeover Regulations issued in terms of section 120 of the Companies Act;
“Transfer Secretaries” or “Computershare”	Computershare Investor Services Proprietary Limited (registration number: 2004/003647/07), a company incorporated in accordance with the company laws of South Africa;
“Treasury Shares”	equity shares (as defined in the Listings Requirements) of an applicant issuer held by a Subsidiary of such applicant issuer and/or by a trust through a scheme, and/or by another entity, where the equity shares in the applicant issuer are controlled by the applicant issuer from a voting perspective;
“TRP”	the Takeover Regulation Panel established in terms of section 196 of the Companies Act;
“TRP Waiver Ruling”	means the ruling, envisaged in the TRP Guideline 2/2011 as read with Regulation 86(4) of the Companies Regulations, which will be sought from the TRP by Remgro International for an exemption from the Mandatory Offer Requirement if the Waiver Resolutions are approved by the requisite majorities of Distell Shareholders and Capevin Shareholders, respectively;
“VAT”	value-added tax, payable in terms of the Value-Added Tax, 1997 (Act 89 of 1991), as amended;
“Valid Demand/s”	demand/s made in terms of section 164(5) of the Companies Act, within the time period contemplated in section 164(7) of the Companies Act, by one or more Distell Shareholders or Capevin Shareholders, as the case may be, who comply with the requirements of section 164(5)(a) and (c) of the Companies Act, in terms of which such shareholder/s demand that Distell or Capevin, as the case may be, pay such shareholder/s the fair value for all of the shares such shareholder/s holds in Distell or Capevin, as the case may be;
“Voting Record Date”	the date and time at which Distell Shareholders must be recorded in the Register in order to be eligible to attend and vote at the Distell Scheme Meeting, expected to be 17h00 on Friday, 20 October 2017;
“Waiver”	the waiver of the Mandatory Offer Requirement which will be provided to the extent that Distell Minorities pass the Waiver Resolution and the TRP grants the Waiver Exemption in respect of Distell, or the waiver of the Mandatory Offer Requirement which will be provided to the extent that Capevin Minorities pass the Waiver Resolution and the TRP grants the Waiver Exemption in respect of Capevin;
“Waiver Exemption”	an exemption (if any) granted by the TRP, pursuant to the request by Remgro International for the TRP Waiver Ruling, in terms of which Remgro International is exempt from the obligation to make a Mandatory Offer to Capevin Minorities and Distell Minorities; and
“Waiver Resolution”	an ordinary resolution adopted by more than 50% of the Distell Minorities in respect of Distell, and more than 50% of the Capevin Minorities in respect of Capevin, in terms of which such Distell Minorities and Capevin Minorities, respectively, agree to waive the Mandatory Offer Requirement.



Distell Group Limited

(Incorporated in the Republic of South Africa)

(Registration Number: 1988/005808/06)

JSE Code: DST ISIN: ZAE000028668

("Distell" or "the Company")

Distell Directors

Executive

Richard Rushton

Lucas Verwey

Non-executive

Jannie Durand

Pieter Louw (alternate)

Ethel Matenge-Sebesho

Chris Otto

Independent Non-executive

Piet Beyers

Gugu Dingaan (alternate)

Dr Prieur du Plessis

Joe Madungandaba

Louisa Mojela

André Parker

Catherina Sevillano-Barredo

Ben van der Ross

CIRCULAR TO DISTELL SHAREHOLDERS

1. INTRODUCTION AND BACKGROUND

- 1.1 Distell Shareholders are referred to the announcement as published on SENS on Thursday, 22 June 2017 and in the press on Friday, 23 June 2017, in which they were advised that the Distell Independent Board had resolved, subject to a number of conditions, to simplify the multi-tiered ownership structure of Distell.
- 1.2 Distell currently has the following multi-tiered ownership structure:
 - 1.2.1 the Remgro Group and Capevin own a material interest in Distell via RCI. In this regard, the Remgro Group and Capevin each hold 50% in RCI, and RCI holds 52.8% of the Distell Shares.
 - 1.2.2 This means that the Remgro Group currently has an effective economic interest of 31.4% in Distell, via its 50% shareholding in RCI and its 19.0% shareholding in Capevin.
 - 1.2.3 Capevin's 50% interest in RCI is Capevin's only asset.
 - 1.2.4 PIC owns 28.0% of the Distell Shares.
 - 1.2.5 The Distell minorities (excluding PIC) own the remaining 19.2% of the Distell Shares.See paragraph 3.10 below for a diagrammatic representation of the aforesaid multi-tiered ownership structure of Distell.
- 1.3 The Transaction involves the collapse of the multi-tiered ownership structure of Distell through a number of Transaction Steps, utilising a new entity, DGHL, as the vehicle through which such collapse will be effected. DGHL's Ordinary Shares will be listed on the JSE and it will, post the fulfilment of the conditions precedent to the Transaction, be renamed "Distell Group Holdings Limited".
- 1.4 It is a condition to the Distell Scheme and Capevin Scheme, respectively, that the Distell Minorities and Capevin Minorities, respectively, waive the right to receive a Mandatory Offer from Remgro International pursuant to the RCI Exchange.
- 1.5 Following the Transaction:
 - DGHL will hold 100% of the Capevin Shares, Capevin will hold 100% of the shares of RCI, RCI will hold 52.8% of the Distell Shares and DGHL will hold the remaining 47.2% of the Distell Shares;
 - the Distell Minorities, other than PIC, will share in 19.2% of the economic interests in and exercise 12.3% of the voting rights in Distell via their holding of DGHL Ordinary Shares;

- the Capevin Minorities, other than PIC and Coronation, will share in 12.1% of the economic interests in and exercise 7.8% of the voting rights in Distell via their holding of DGHL Ordinary Shares;
- PIC will share in 31.3% of the economic interests in and exercise 20.1% of the voting rights in Distell via its holding of DGHL Ordinary Shares;
- Coronation will share in 6.0% of the economic interests in and exercise 3.8% of the voting rights in Distell via its holding of DGHL Ordinary Shares;
- Remgro (via Remgro Beverages) will share in 31.4% of the economic interests in and exercise 56.0% of the voting rights in Distell via its holding of DGHL Ordinary Shares and B Shares; and
- Capevin and Distell will be delisted.

2. PURPOSE OF THE CIRCULAR

- 2.1 The purpose of this Circular is to provide Distell Shareholders with information on the Transaction, DGHL, the waiver of the Mandatory Offer Requirement and to convene the Distell Scheme Meeting at which Distell Minorities will be asked to consider and, if deemed fit, pass the resolutions of Distell necessary to give effect to the Distell Scheme and the Waiver, which will result in the Distell Delisting.
- 2.2 Distell Shareholders are also encouraged to familiarise themselves with the content of the Prospectus, as well as the Capevin Circular which is available on the Capevin website (<http://www.capevin.com>) setting out *inter alia* the impact of the Transaction, including the Capevin Scheme, on Capevin Shareholders.

3. OVERVIEW OF THE TRANSACTION

- 3.1 In terms of the Transaction, Distell will propose a Scheme of Arrangement between Distell and the Distell Shareholders and Capevin will propose a Scheme of Arrangement between Capevin and the Capevin Shareholders, in each case to which DGHL is a party, in terms of section 114 of the Companies Act, whereby DGHL will issue listed DGHL Ordinary Shares to the Capevin Shareholders and the Distell Minorities in exchange for their shares in Capevin and Distell, respectively. The result of the Schemes is that DGHL will own all the Distell Shares directly (in respect of 47.2%) and indirectly via Capevin and RCI (in respect of 52.8%), respectively. The issue of the listed DGHL Ordinary Shares to all Capevin Shareholders and the Distell Minorities will ensure that the Capevin Shareholders and the Distell Minorities retain their current effective economic interest in Distell.
- 3.2 Immediately prior to implementation of the Schemes, Remgro International will transfer all of the shares it holds in RCI to Capevin in exchange for the issue by Capevin of further Capevin Shares to Remgro International, resulting in Remgro International holding 59.5% of Capevin and, therefore, controlling Capevin and, indirectly through RCI, also Distell (through the 52.8% Distell Shares held by RCI). The Capevin Minorities will be required to approve the issue of the RCI-Related Capevin Shares to Remgro International in terms of the RCI Exchange, and both the Capevin Minorities and the Distell Minorities will be required to waive the Mandatory Offer Requirement which will be triggered by Remgro International acquiring control of Capevin and, indirectly, Distell, through the RCI Exchange.
- 3.3 Prior to implementation of the Schemes, DGHL will issue the B Shares to Remgro Beverages. The B Shares will have no economic rights (except upon a repurchase of such B Shares or a winding up of DGHL, as detailed in paragraph 11 below), but will provide the Remgro Group with the same level of voting rights in Distell as it will hold pursuant to the RCI Exchange, namely 52.8%. The requisite number of B Shares will be issued to Remgro Beverages and, subsequent to the Remgro Exchange, will be linked (as detailed below) to those DGHL Ordinary Shares that Remgro International will receive in exchange for its RCI-Related Capevin Shares in terms of the Capevin Scheme. The B Shares and accompanying Linked Ordinary Shares will provide Remgro Beverages with a 52.8% voting interest in DGHL. In terms of the Capevin Scheme, Remgro International will also receive DGHL Ordinary Shares in exchange for its current 19.0% interest in Capevin, however those DGHL Ordinary Shares will not be linked to B Shares following implementation of the Remgro Exchange.
- 3.4 After Remgro International is issued with its DGHL Ordinary Shares pursuant to the Capevin Scheme, Remgro International will transfer such DGHL Ordinary Shares to Remgro Beverages in exchange for the issue by Remgro Beverages of further shares in Remgro Beverages to Remgro International. Following implementation of the Remgro Exchange, the B Shares held by Remgro

Beverages pursuant to the B Share Issuance will be linked to the RCI-Related Ordinary Shares in DGHL (previously held by Remgro International and transferred to Remgro Beverages in terms of the Remgro Exchange) in the B Share Ratio in accordance with the B Share Terms.

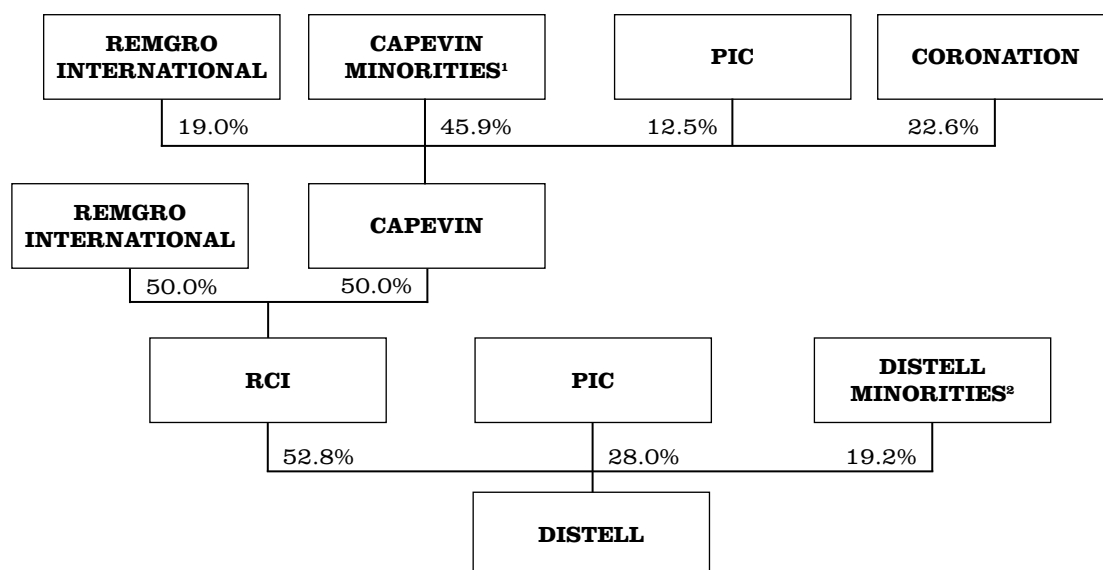
- 3.5 As stated above, subsequent to the aforementioned steps, Distell will become a wholly-owned Subsidiary of DGHL directly and indirectly (via RCI and Capevin). As part of the Distell Scheme, the Distell Shares will be delisted from the JSE. Similarly, as part of the Capevin Scheme, the Capevin Shares will be delisted from the JSE. The DGHL Listing will ensure that Distell Shareholders are able to trade their DGHL Ordinary Shares on the JSE, as they were previously able to trade their Distell Shares.
- 3.6 The DGHL Listing, B Share Issuance, RCI Exchange, Capevin Scheme, Remgro Exchange, Distell Scheme, Distell Delisting and Capevin Delisting collectively represent the Transaction.
- 3.7 It should be noted that (i) the Remgro Group will not be entitled to vote on the resolutions to approve the RCI Exchange, the Waiver and the Capevin Schemes as proposed at the Capevin Scheme Meeting; and (ii) RCI will not be entitled to vote on the resolutions to approve the Waiver and the Distell Scheme as proposed at the Distell Scheme Meeting.
- 3.8 The multi-tiered ownership structure of Distell has resulted in:
- a discount between the intrinsic value of Capevin's investment in Distell and the traded market value of Capevin Shares;
 - lower levels of liquidity and tradability for Distell Shares due to the control structure with multiple listed entry points into Distell;
 - lower weighting in various local and international stock exchange indices as a result of the reduced free float in Distell Shares; and
 - additional operating expenditure and infrastructure to administer the ownership structure.

The Transaction seeks to address these issues, as detailed more fully below in paragraph 4.

- 3.9 Key features of the Transaction include:
- The Remgro Group will retain their level of voting in Distell, obtained pursuant to the RCI Exchange, through the proposed creation and issue of 124 226 613 B Shares and the resulting dilution of the voting rights of the Distell Minorities and the Capevin Minorities;
 - The B Share Issuance will not lead to any economic dilution for the Distell Minorities or the Capevin Minorities;
 - Notwithstanding the fact that the economic interests of the Distell Minorities will not be diluted by the B Share Issuance, their voting rights will be diluted. The dilution of Distell Shareholders from a voting perspective (after the implementation of the Transaction) is detailed in Annexure 8 of this Circular; and
 - While Capevin Minorities currently have no ability to exercise voting rights directly in Distell, upon the implementation of the Transaction they will become DGHL Ordinary Shareholders and be entitled to vote DGHL Ordinary Shares. The votes exercisable by Capevin Minorities in Distell (via DGHL, Capevin and RCI) after the Transaction will, despite no change in the economic position of the Capevin Shareholders, be less than the votes they currently indirectly exercise at meetings of Distell Shareholders through RCI. A table illustrating the dilutive effect on votes of Capevin Shareholders in DGHL compared to the indirect vote they currently enjoy in Distell is contained in the Capevin Circular.

3.10 Pre- and Post Transaction diagrams

Material Shareholding Pre-Transaction diagram:

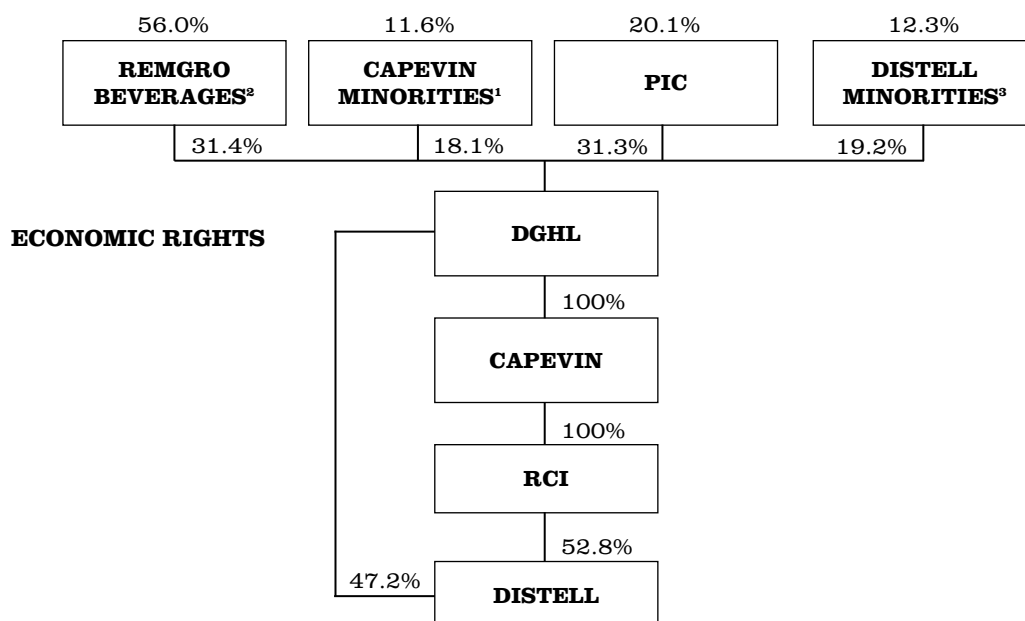


Notes:

1. Capevin minorities excluding PIC and Coronation.
2. Distell minorities excluding the PIC, but including a 3.2% interest held by Coronation.

Material Shareholding Post-Transaction diagram:

VOTING RIGHTS



ECONOMIC RIGHTS

Notes:

1. Capevin minorities including a 6.0% economic interest and a 3.8% voting interest held by Coronation.
2. The 56.0% voting interest and 31.4% economic interest held by Remgro Beverages includes the Linked Ordinary Shares and the DGHL Ordinary Shares that the Remgro Group will receive in exchange for its current 19.0% interest in Capevin and its 50% shareholding in RCI, both of which will be transferred to Remgro Beverages in terms of the Remgro Exchange.
3. The Distell minorities excludes PIC but includes a 3.2% economic interest and a 2.0% voting interest held by Coronation.

4. RATIONALE FOR THE TRANSACTION

- 4.1 The Distell Independent Board believes that, although the Transaction will provide the Remgro Group with specific rights regarding control of DGHL, the Transaction will nonetheless be beneficial to Distell, the Distell Minorities, Capevin and the Capevin Minorities as it will, *inter alia*:
- result in the elimination of the current multi-tiered ownership structure of Distell, leaving a single entry point to investing in Distell (namely DGHL);
 - likely improve the demand, liquidity and marketability of the DGHL Ordinary Shares, by comparison to the equivalent for Distell Shares and Capevin Shares, respectively;
 - result in an increased free float of DGHL Ordinary Shares, which should enhance the weighting thereof in stock market indices both on the JSE and internationally;
 - simplify Distell's capital structure and thereby likely improve Distell's investment appeal to both foreign and local investors;
 - simplify DGHL's ability to raise capital, should it need to do so to support Distell's long-term growth strategy; and
 - retain the stability and continuity which follows as a result of the Remgro Group remaining as an anchor shareholder of DGHL.
- 4.2 Accordingly, the Distell Independent Board resolved to submit the Distell Scheme to Distell Shareholders for their consideration.

5. TERMS OF THE TRANSACTION AND THE DISTELL SCHEME

- 5.1 For information purposes, it is confirmed that, subject to the Transaction becoming unconditional, the Transaction will be implemented by way of a number of Transaction Steps as follows:
- (i) The DGHL Ordinary Shares will be listed on the JSE;
 - (ii) In terms of the B Share Issuance, DGHL will issue 124 226 613 B Shares to Remgro Beverages for an issue price of R0.00001 per B Share;
 - (iii) In terms of the RCI Exchange, Capevin will issue further Capevin Shares to Remgro International (the RCI-Related Capevin Shares) and Remgro International will settle its obligation to pay the issue price in respect of such shares through the transfer to Capevin of Remgro International's 50% shareholding in RCI;
 - (iv) In terms of the Capevin Scheme, DGHL will issue 117 348 000 DGHL Ordinary Shares to the Capevin Shareholders and the Capevin Shareholders will settle their obligation to pay the issue price in respect of such DGHL Ordinary Shares through the delivery and transfer to DGHL of their Capevin Shares, by way of a Scheme of Arrangement;
 - (v) In terms of the Remgro Exchange, Remgro Beverages will issue further shares in Remgro Beverages to Remgro International and Remgro International will settle its obligation to pay the issue price in respect of such shares through the delivery and transfer to Remgro Beverages of the DGHL Ordinary Shares held by Remgro International pursuant to the Capevin Scheme (being the RCI-Related Ordinary Shares and the Non-RCI Related Ordinary Shares);
 - (vi) In terms of the Distell Scheme, DGHL will issue 105 034 356 DGHL Ordinary Shares to the Distell Minorities and the Distell Minorities will settle their obligation to pay the issue price in respect of such DGHL Ordinary Shares through the delivery and transfer to DGHL of their Distell Shares, by way of a Scheme of Arrangement;
 - (vii) Capevin and Distell will be delisted (in terms of the Capevin Delisting and the Distell Delisting, respectively); and
 - (viii) DGHL will repurchase the 1 DGHL Ordinary Share held by Remgro Beverages prior to implementation of the Transaction for a nominal amount of R1.00.
- (each a "Transaction Step" and together the "Transaction").

6. CONDITIONS PRECEDENT

- 6.1 The Transaction is subject to the fulfilment or, if applicable, waiver of the following Conditions Precedent, namely:
- 6.1.1 all resolutions required by Distell Shareholders to implement the Distell Scheme and the Waiver as contained in the notice of the Distell Scheme Meeting annexed to this Circular, are adopted by the requisite majorities of Distell Minorities;

- 6.1.2 the Capevin Scheme becomes unconditional in accordance with its terms, save for the condition requiring that the Distell Scheme becomes unconditional;
 - 6.1.3 in respect of the Distell Shareholder Appraisal Rights, no Valid Demands are received by Distell or, if any Valid Demands are received by Distell, such Valid Demands are received from Distell Shareholders who, in aggregate, hold less than 5% of the aggregate Distell Shares in issue as at the Last Practicable Date;
 - 6.1.4 the South African Competition Authorities approve the implementation of the RCI Exchange;
 - 6.1.5 the Foreign Competition Authorities approve the implementation of the RCI Exchange; and
 - 6.1.6 the TRP approves the Waiver Exemption and issues a compliance certificate in respect of the Transaction;
- (collectively, the “Conditions Precedent”).
- 6.2 Unless all the Conditions Precedent are fulfilled or waived, if appropriate and as the case may be, the Transaction will not proceed.
 - 6.3 The Conditions Precedent must be fulfilled or waived, if applicable, on or before Monday, 29 January 2018 (unless this date is extended by agreement between Distell, Capevin and DGHL to allow for any outstanding regulatory approval/s), failing which the Transaction will not proceed.
 - 6.4 None of the Conditions Precedent can be waived, except for (i) the Condition Precedent detailed in paragraph 6.1.3 of this Circular, relating to the receipt by Distell of Valid Demands from Dissenting Distell Shareholders, which may be waived by agreement between Distell, Capevin and DGHL, and (ii) the Condition Precedent detailed in paragraph 6.1.5 of this Circular, relating to the approval of the RCI Exchange by the Foreign Competition Authorities, which may be waived by agreement between Distell, Capevin and DGHL.

7. REGULATORY APPROVALS

- 7.1 Save for (i) the approval of the South African Competition Authorities and the Foreign Competition Authorities, and (ii) the TRP granting the TRP Waiver Ruling and issuing a TRP compliance certificate in respect of the Distell Scheme, all requisite regulatory approvals regarding the Schemes and the issue and listing of the DGHL Ordinary Shares, including SARB approval, have been obtained. In this regard:
 - the issue of the Distell Circular to the Distell Shareholders in respect of the Distell Scheme and the waiver of the Mandatory Offer Requirement was approved by the TRP on Thursday, 14 September 2017 and the JSE on Monday, 18 September 2017;
 - the issue of the Capevin Circular to the Capevin Shareholders in respect of the Capevin Scheme, the RCI Exchange and the waiver of the Mandatory Offer Requirement was approved by the TRP on Thursday, 14 September 2017 and the JSE on Monday, 18 September 2017;
 - the issue of the Prospectus by DGHL was registered by CIPC on Friday, 15 September 2017 and approved by the JSE on Monday, 18 September 2017; and
 - the DGHL Listing was approved by the JSE on Monday, 18 September 2017.

8. ISSUE AND ALLOTMENT OF DGHL ORDINARY SHARES TO SCHEME PARTICIPANTS PURSUANT TO THE DISTELL SCHEME

- 8.1 If the Conditions Precedent are timeously fulfilled or waived, if applicable, and subject to there being no legal impediment to the implementation of the Distell Scheme immediately prior to its proposed implementation on Wednesday, 14 February 2018, the Distell Scheme will be implemented.
- 8.2 Pursuant to the Distell Scheme, each Distell Scheme Participant will be issued and allotted 1 DGHL Ordinary Share for every 1 Distell Share held:
- 8.3 Payment in respect of DGHL Ordinary Shares:

No cash is payable in respect of the subscription for DGHL Ordinary Shares in terms of the Schemes. The consideration payable to DGHL by each Scheme Participant in respect of the issue and allotment of the DGHL Ordinary Shares is the delivery and transfer to DGHL of such Scheme Participant's Capevin Shares and/or Distell Shares, as the case may be.

8.4 Issue and allotment of the DGHL Ordinary Shares:

- All shares will be issued at the expense of DGHL.
- All shares to be issued are subject to the provisions of the DGHL MOI.
- The DGHL Ordinary Shares will rank *pari passu* in all respects with each other. Annexure E to the Prospectus contains relevant extracts from the DGHL MOI.
- As required in terms of the FMA, DGHL Ordinary Shares will only be issued in Dematerialised form.
- DGHL Ordinary Shares can only be traded on the JSE trading system in electronic form, as detailed more fully in paragraph 8.5 of this Circular, below.
- DGHL will adhere to the recognised and standardised electronic clearing and settlement procedures operating within the JSE environment.
- Subsequent to implementation of the Distell Scheme, DGHL Ordinary Shareholders are entitled to Certificate their DGHL Ordinary Shares at any time, should they so wish.

8.5 Trading of DGHL Ordinary Shares:

- 8.5.1 Subject to the provisions of the B Share Terms relating to the transfer of Linked Ordinary Shares, DGHL Ordinary Shares may only be traded on the JSE in electronic form (Dematerialised Shares) and will be trading for electronic settlement in terms of Strate following the DGHL Listing on the JSE.
- 8.5.2 Strate is a system of “paperless” transfer of shares. If any Scheme Participant has any doubt as to the mechanics of Strate, the Scheme Participant should consult with his CSDP or Broker or other appropriate adviser and is also referred to the Strate website at www.strate.co.za for more information.
- 8.5.3 Some of the principal features of Strate are as follows:
- trades executed on the JSE must be settled on a T+3 basis, being 3 Business Days after the date of the trade;
 - there are penalties for late settlement;
 - electronic record of ownership replaces share certificates and physical delivery thereof; and
 - all Scheme Participants are required to appoint either a Broker or CSDP to act on their behalf and to handle their settlement requirements.

9. OPERATION OF THE DISTELL SCHEME

- 9.1 Subject to the Distell Scheme becoming unconditional and operative, Distell Scheme Participants shall –
- 9.1.1 be deemed, with effect from the Distell Operative Date, to have disposed of their Distell Shares to DGHL (and shall be deemed to have undertaken to transfer), free of encumbrances, and all risk and benefit in the Distell Scheme Participants’ Distell Shares will pass from the Distell Scheme Participants to DGHL;
- 9.1.2 be entitled to receive DGHL Ordinary Shares in the Entitlement Ratio, and the Transfer Secretaries will, in accordance with their mandate from the Company, administer the issue of the DGHL Shares to the Distell Scheme Participants, in accordance with the “Action Required by Distell Shareholders” section on page 5 of this Circular.
- 9.2 With effect from the Distell Operative Date, the Transfer Secretaries and/or each and every Director of Distell or any other person nominated by Distell will irrevocably be deemed to be the attorney and agent in *rem suam* of the Distell Scheme Participants to implement the transfer of the Distell Shares to DGHL, and to sign any instrument of transfer in respect thereof or any other documents and to do any other acts required or desirable to implement the Distell Scheme and to take all steps necessary to procure electronic delivery of Distell Shares which are Dematerialised.

10. SALIENT PROVISIONS OF THE DGHL ORDINARY SHARES

- 10.1 The DGHL Ordinary Shares are non-convertible, no par value shares, which rank *pari passu* with one another and which have the preferences, rights, limitations and other terms as detailed in the DGHL MOI, extracts of which are provided in Annexure E to the Prospectus.

10.2 There are no restrictions as to the transferability, and no prohibition on the disposal, of the DGHL Ordinary Shares. Regard should be had to the B Share Terms (provided in Annexure F to the Prospectus and summarised in paragraph 11 below) which detail the consequences which follow if Linked Ordinary Shares and/or B Shares are not transferred in accordance with the B Share terms.

10.3 If the Distell Scheme is implemented, the DGHL Ordinary Shares will be listed on the JSE.

10.4 The DGHL Ordinary Shares will afford Scheme Participants the same economic interest and participation in Distell, via DGHL, as such participants held prior to implementation of the Transaction. The Distell Minorities' voting rights and the Capevin Minorities' indirect voting rights in relation to Distell will, however, be diluted. The table below contains an illustrative example of the effect of such dilution, namely a Distell Shareholder's shareholding and voting rights, and a Capevin Shareholder's shareholding and indirect voting rights, in Distell pre- and post- the Transaction:

Distell Shareholder's direct interest in Distell	Before	After
Direct economic interest in Distell/DGHL	5.00%	5.00%
Direct voting interest in Distell/DGHL	5.00%	3.21%
Capevin Shareholder's indirect interest in Distell	Before	After
Direct interest in Capevin	5.00%	–
Indirect/direct economic interest in Distell/DGHL	1.32%	1.32%
Indirect/direct voting interest in Distell/DGHL	–	0.85%

10.5 Detail is set out in Section One paragraph 1.3.12 of the Prospectus regarding dividends and distributions which may be paid or distributed by DGHL in relation to the DGHL Ordinary Shares.

10.6 Each DGHL Ordinary Share will entitle the holder thereof to 1 vote per DGHL Ordinary Share.

10.7 Pre-emptive rights apply in respect of the issue of DGHL Ordinary Shares, subject to the terms and conditions of the DGHL MOI, as detailed in Annexure E to the Prospectus.

11. SALIENT PROVISIONS OF THE B SHARE TERMS

11.1 The B Shares are unlisted, non-convertible, no par value shares which have the preferences, rights, limitations and other terms as summarised below and detailed in full in the B Share Terms attached as Annexure F of the Prospectus. Annexure 6 contains a tabular-form summary of the B Share Terms.

11.2 The B Shares will be issued to Remgro Beverages, on a once-off basis, in the B Share Ratio, namely 2.117 B Shares for every 1 RCI-Related Ordinary Share held by Remgro Beverages. In this regard:

- The RCI-Related Ordinary Shares are 58 674 000 DGHL Ordinary Shares which will be issued to Remgro International in terms of the Capevin Scheme, in exchange for Remgro International's RCI-Related Capevin Shares. The RCI-Related Ordinary Shares will, subsequent to their issue to Remgro International, be transferred to Remgro Beverages in terms of the Remgro Exchange.
- Having regard to the number of RCI-Related Ordinary Shares which are to be issued by DGHL in terms of the Capevin Scheme and applying the B Share Ratio, this equates to 124 226 613 B Shares which will be issued by DGHL to Remgro Beverages.

11.3 The B Shares will be issued to Remgro Beverages in order to maintain the 52.8% voting rights in Distell which the Remgro Group will hold pursuant to the implementation of the RCI Exchange. The B Shares are only entitled to voting rights and have no right to any economic participation in DGHL save for the right, if repurchased, to be repurchased at their issue price and the right, upon liquidation of DGHL, for the B Shareholders to be paid the issue price of the B Shares before any liquidation payment or distribution is made to the DGHL Ordinary Shareholders. Other than as detailed above, the B Shares are not entitled to share in any dividends or distributions by DGHL.

11.4 In the circumstances, the B Share Issuance does not lead to any economic dilution for the Distell Minorities or the Capevin Minorities.

11.5 The B Shares will be issued to Remgro Beverages at an issue price of R0.00001 per B Share. The aggregate issue price for the 124 226 613 B Shares which will be issued by DGHL to Remgro Beverages in terms of the B Share Issuance is, in the circumstances, an amount of R1 242.27.

11.6 The B Shares will be linked to certain DGHL Ordinary Shares (referred to as "Linked Ordinary Shares") by virtue of the provisions of the DGHL MOI (including the B Share Terms), Distell Shareholders should note that, while the transfer of DGHL Ordinary Shares must, in the ordinary course, be effected on-market (in other words, through the JSE's order book), the transfer of Linked

Ordinary Shares should be effected off-market (in other words, not through the JSE's order book). If a transfer of Linked Ordinary Shares is effected on-market, the voting rights attaching to the relevant B Shares which are linked to such Linked Ordinary Shares will immediately lapse and be of no further force and effect.

11.7 In addition, the B Share Terms provide for the immediate cessation of the voting rights attaching to the relevant B Shares, and an option in favour of DGHL to repurchase the relevant B Shares at their issue price, upon the happening of certain further events, namely:

- any disposal and/or transfer of B Shares without the relevant B Shareholder giving prior written notice to DGHL's company secretary;
- any disposal and/or transfer of B Shares without the accompanying Linked Ordinary Shares simultaneously being disposed of;
- any disposal and/or transfer of Linked Ordinary Shares which is effected on-market (i.e. via the JSE's normal order book);
- if, at any time, there is no B Shareholder (whether individually or together with persons who may be related to and/or concert parties with a B Shareholder) which holds more than 25% of the Total Voting Rights;
- if, at any time, a particular B Shareholder (together with such B Shareholder's related and concert parties) ceases to hold more than 25% of the Total Voting Rights; and
- if a transferee, as contemplated in paragraph 11.8 of this Circular, below, does not make an offer to purchase all the DGHL Ordinary Shares held by the DGHL Ordinary Shareholders *mutatis mutandis* in accordance with section 123 of the Companies Act in the circumstances contemplated in paragraph 11.8 of this Circular, below,

(collectively, the "Option Events").

11.8 If, as a result of the disposal and/or transfer of any B Shares together with their accompanying Linked Ordinary Shares, the transferor and the transferee (together with any other Shareholders related to or acting in concert with the transferor and transferee, respectively) each hold more than 25% of the Total Voting Rights, the transferee is entitled to offer to purchase all the DGHL Ordinary Shares held by the DGHL Ordinary Shareholders *mutatis mutandis* in accordance with section 123 of the Companies Act. The transferee's failure to make such an offer constitutes an Option Event as contemplated in paragraph 11.7. Where an offer to the DGHL Ordinary Shareholders (the minorities) is triggered, the full consideration payable to the B Shareholders in terms of the transaction which triggers this offer will be attributed to the Linked Ordinary Shares and no value will be attributed to the B Shares.

11.9 If DGHL undertakes an alteration of its capital structure or a corporate action, which impacts the voting rights exercisable by the B Shareholders in relation to the Total Voting Rights (referred to as an "Adjustment Event" in the B Share Terms), the number of B Shares held by the B Shareholders and, if necessary, also the number of Linked Ordinary Shares, shall be increased or decreased, as the case may be, to maintain the position of the B Shareholders as regards their voting rights in relation to the Total Voting Rights after the Adjustment Event, as was the position prior to such Adjustment Event. In this regard:

11.9.1 If, for example, the Adjustment Event is a renounceable rights issue of DGHL Ordinary Shares in which the B Shareholders elect to follow their rights in respect of their Linked Ordinary Shares, further B Shares will be issued to the B Shareholders so as to ensure that they are able to exercise the same proportion of the Total Voting Rights after the Adjustment Event as they were able to exercise before the Adjustment Event. This is to prevent any unwarranted dilution of the B Shareholders' voting rights. Similarly, if there is any alteration to the capital structure of DGHL which has a dilutionary effect on the voting rights of the B Shareholders, such as a share split or a capital distribution, further B Shares will be issued to the B Shareholders so as to ensure that they are able to exercise the same proportion of the Total Voting Rights after the relevant Adjustment Event as they were able to exercise before the relevant Adjustment Event;

11.9.2 If, for example, the Adjustment Event is a consolidation of the DGHL Ordinary Shares or similar alteration of the capital structure of DGHL which has an accretion effect on the voting rights which the B Shareholders can exercise, the number of B Shares held by the B Shareholders will be reduced, so as to ensure that the B Shareholders are able to exercise the same proportion of the Total Voting Rights after the relevant Adjustment Event as they were able to exercise before the relevant Adjustment Event. This is to prevent any unwarranted accretion of the B Shareholders' voting rights in DGHL;

- 11.9.3 If a B Shareholder increases its interests in DGHL through the purchase of DGHL Ordinary Shares (and not through an Adjustment Event, such as a rights offer for example), no Adjustment Event will have occurred and, therefore, no further B Shares will be issued to such B Shareholder as a result of such purchase;
- 11.9.4 Any Adjustment Event which requires an increase in the number of B Shares held by the B Shareholders will be effected by way of an allotment and issue to the B Shareholders of the requisite number of B Shares at an issue price of R0.00001 per B Share;
- 11.9.5 Any Adjustment Event which requires a reduction in the number of B Shares held by the B Shareholders will be effected by way of a repurchase of the relevant number of B Shares by DGHL, in accordance with the provisions of the Companies Act and the Listings Requirements, for a repurchase price equal to the issue price of each B Share, namely R0.00001; and
- 11.9.6 The following will not constitute Adjustment Events and will not result in an increase or decrease of the number of B Shares held by the B Shareholders and, in the circumstances, the B Shareholders will be diluted as a consequence of the occurrence of any of the following events, namely:
- 11.9.6.1 an issue of DGHL Ordinary Shares in respect of which DGHL Ordinary Shareholders (including B Shareholders, as holders of Linked Ordinary Shares) are not entitled to participate, such as the issue of DGHL Ordinary Shares under a share incentive scheme;
 - 11.9.6.2 a rights issue in respect of DGHL Ordinary Shares where the B Shareholders do not follow their rights in respect of their Linked Ordinary Shares;
 - 11.9.6.3 an issue of DGHL Ordinary Shares pursuant to an acquisition;
 - 11.9.6.4 a vendor consideration placing of DGHL Ordinary Shares;
 - 11.9.6.5 an issue of DGHL Ordinary Shares for cash or for the extinction of any liability, obligation, expense or commitment; or
 - 11.9.6.6 an amalgamation or merger in accordance with the provisions of section 113 of the Companies Act.

12. MAJOR DISTELL SHAREHOLDERS

- 12.1 Insofar it is known to Distell, the names of all Distell Shareholders that, directly or indirectly, are beneficially interested in 5% or more of Distell Shares, together with the extent of such interests, as at the Last Practicable Date (excluding Treasury Shares), are as follows:

Distell

Shareholder	Number of Distell Shares held	Beneficial shareholding ¹ (%)	Beneficial shareholding excluding RCI ² (%)
PIC	62 193 303	28.0%	59.2%

1. Based on an aggregate of 222 382 356 issued Distell Shares, which excludes 2 997 994 Distell Shares held as Treasury Shares

2. Based on an aggregate of 222 382 356 issued Distell Shares, which excludes 2 997 994 Distell Shares held as Treasury Shares and 117 348 000 Distell Shares held by RCI

- 12.2 Following implementation of the Transaction, the shareholders of DGHL who will hold more than 5% of the economic interests or voting rights, as the case may be, in DGHL will be:

DGHL

Shareholder	Number of DGHL Ordinary Shares held (economic interest)	Beneficial shareholding (voting interest)
Remgro Beverages	31.4%	56.0%
PIC	31.3%	20.1%
Coronation ¹	9.1%	5.9%

1. Representing clients of Coronation

13. LETTERS OF SUPPORT

- 13.1 As at the Last Practicable Date, the following Distell Shareholders, which collectively hold 31.2% of the Distell Shares, have provided letters of support to vote in favour of the Transaction and the resolutions relating to the Distell Scheme to be voted on at the Distell Scheme Meeting, namely:

Shareholder	Number of Distell Shares	% of Distell Shares ¹
PIC	62 193 303	28.0%
Coronation	7 078 835	3.2%

1. Based on the number of issued Distell shares of 222 382 356

- 13.2 The letters of support are available for inspection as stated in paragraph 39 below.

14. OVERVIEW OF DISTELL AND DGHL

14.1 DGHL's business

Upon implementation of the Transaction, DGHL's only assets will be 100% of the Capevin Shares and 47.2% of the Distell Shares. Capevin's sole asset will, in turn, be 100% of the shares in RCI; and RCI's sole asset will be 52.8% of the Distell Shares in Distell. Therefore, DGHL will hold 100% of the Distell Shares, directly and indirectly.

Both Capevin and RCI have, historically, served solely as vehicles for the holding of Distell Shares. In this regard, the shares in RCI held by Capevin are Capevin's sole asset, and the Distell Shares held by RCI are RCI's sole asset. Neither Capevin nor RCI has conducted any business, other than the holding of the direct and indirect interests in Distell, during the 3 years preceding the Last Practicable Date.

DGHL will serve primarily as an investment holding company, holding shares in Distell (directly and indirectly via Capevin and RCI).

14.2 Distell and Distell's business

Distell was created through the merger of Distillers Corporation (SA) Limited and Stellenbosch Farmers Winery Group Limited in 2001. Distell became a public company on 11 October 1988. There has been no material change in the business of Distell during the 3 years preceding the Last Practicable Date.

Distell is a listed holding company which holds equity interests directly and indirectly in various operating companies in South Africa and abroad.

The Distell Group is South Africa and Africa's leading producer and marketer of wines, spirits, ciders and other ready-to-drink (RTD) beverages, sold across the world. With a diverse portfolio of brands with rich provenance and authenticity, its products are priced across the pricing continuum to cater to a broad spectrum of consumers.

Many of its brands are household names to consumers in Africa and select international markets. These brands include Amarula, Hunter's, Klipdrift, Nederburg, Richelieu, Savanna and Viceroy among others. Amarula is South Africa's most widely distributed international alcoholic beverage brand. Distell's wines are sold on every continent.

Further information relating to Distell is available in the Prospectus, the Distell Financial Information and on Distell's website, www.distell.co.za.

15. LONG TERM EMPLOYEE SHARE INCENTIVE SCHEMES

15.1 Distell Employee Scheme and DGHL SAR Scheme

Distell established a group equity settled share appreciation right scheme in 2010 (Distell Employee Scheme), which scheme was approved by the Distell Shareholders at the Distell annual general meeting held in October 2010. In relation to Distell, the intention is for the CSP Scheme, if approved by Distell Shareholders in relation to Distell as detailed in the Distell Incentive Plan Circular, to replace the Distell Employee Scheme over time and, in the circumstances and as at the Last Practicable Date, the remuneration committee of Distell does not intend to grant further SARs in terms of the Distell Employee Scheme. The same position will apply in respect of DGHL, namely that if the CSP Scheme is approved in relation to DGHL as detailed in the Incentive Plan Circulars, the intention is for the CSP Scheme to replace the DGHL SAR Scheme over time, with no further grants being made under the DGHL SAR Scheme. The DGHL SAR Scheme must, however, nonetheless be

adopted in relation to DGHL so as to ensure that participants in the Distell Employee Scheme are no worse off, due to the Transaction, and are able to receive equivalent grants in the DGHL SAR Scheme (as detailed in the following paragraph of this Circular, below).

If the Transaction proceeds the Distell Employee Scheme will terminate and participants in the Distell Employee Scheme will be afforded share appreciation rights in DGHL in terms of the DGHL SAR Scheme, that will replace unexercised appreciation rights granted to such participants in terms of the Distell Employee Scheme ("Prior Accepted Grants"), so as to ensure that such Distell participants are in a position, after implementation of the Transaction, which substantively mirrors the position they would have been in, had the Transaction not been implemented. Accordingly, Distell participants in possession of Prior Accepted Grants will be granted SARs in terms of the DGHL SAR Scheme that are equivalent in value to the relevant Prior Accepted Grants. This ensures that the Distell participants in the Distell Employee Scheme are not prejudiced through the implementation of the Transaction.

The DGHL SAR Scheme is subject to terms and conditions which are substantially similar to the Distell Employee Scheme. Further details on the DGHL SAR Scheme can be found in section Four paragraph 4.2 of the Prospectus, and extracts thereof are included in Annexure M of the Prospectus.

15.2 Additional Long-Term Incentive Scheme

As detailed above, Distell wishes to introduce a different incentive scheme (the CSP Scheme), which will replace the DGHL SAR Scheme, to ensure that appropriate talent and skills are retained within the Distell Group. Further details of this CSP Scheme are provided in the Incentive Plan Circulars.

15.3 Implementation and commencement of the CSP Scheme in relation to DGHL

It is recognised that it is important to obtain shareholder buy-in and approval in respect of any incentive scheme that is implemented in respect of a listed company. In the context of the reorganisation of Distell's ownership structure contemplated by the Transaction and assuming the Transaction is implemented, there will be no opportunity for the Distell Shareholders and the Capevin Shareholders to vote, as shareholders of DGHL, to approve the CSP Scheme in relation to DGHL. Therefore, Distell, Capevin, DGHL and Remgro have agreed that, if the Distell Scheme becomes unconditional and is implemented, the introduction and implementation of the CSP Scheme in relation to DGHL is conditional on the Distell Shareholders and the Capevin Shareholders approving such CSP Scheme through an advisory vote as detailed below and in the Incentive Plan Circulars.

As sole shareholder of DGHL as at the Last Practicable Date, Remgro Beverages has approved the CSP Scheme and its rules, as detailed in the Incentive Plan Circulars. This approval by Remgro Beverages is, however, subject to:

- the Transaction being implemented;
- the remuneration committee of DGHL, immediately upon their appointment, ratifying the introduction of the CSP Scheme in relation to DGHL;
- the Distell Shareholders adopting an advisory vote at the Distell General Meeting in terms of which advisory vote the Distell Shareholders approve, in relation to DGHL, the CSP Scheme; and
- the Capevin Shareholders adopting an advisory vote at the Capevin Scheme meeting in terms of which advisory vote the Capevin Shareholders approve, in relation to DGHL, the CSP Scheme.

Unless affirmative advisory votes are obtained from both the Distell Shareholders and the Capevin Shareholders in relation to the CSP Scheme, the condition to the Remgro Beverages' approval of the CSP Scheme shall not be fulfilled, in which event the CSP Scheme will not be implemented in relation to DGHL.

RCI will be entitled to vote in respect of the aforesaid advisory vote at the Distell CSP Meeting and Remgro will be entitled to vote in respect of the aforesaid advisory vote at the Capevin CSP Meeting.

15.4 Implementation and commencement of the CSP Scheme in relation to Distell

If the Transaction is, for any reason (including if the Capevin Scheme and/or the Distell Scheme does not become unconditional), not implemented, it is proposed that the CSP Scheme nonetheless, but subject to the passing of the ordinary resolution detailed below (and explained more fully in the Distell Incentive Plan Circular), be implemented in relation to Distell.

In order to implement the CSP Scheme in relation to Distell (if the Transaction is not implemented) and in accordance with the requirements of Schedule 14 of the Listings Requirements, approval for such implementation must be obtained from the Distell Shareholders. The approval required from the Distell Shareholders in this regard is an ordinary resolution (requiring a 75% majority vote). It is proposed that such approval will be sought from the Distell Shareholders at the Distell CSP Meeting.

The proposed ordinary resolution required to approve the CSP Scheme in respect of Distell, if the Transaction is not implemented, is contained in the notice of the Distell CSP Meeting which is attached to and forms part of the Distell Incentive Plan Circular.

16. DISTELL DELISTING

Subject to the fulfilment of the Conditions Precedent detailed in paragraph 6 of this Circular, above, the shares of Distell will be suspended from trading on the JSE at the commencement of business on Friday, 9 February 2018 and Distell will delist from the Beverages sector of the JSE, with effect from the commencement of business on Thursday, 15 February 2018.

17. WAIVER OF MANDATORY OFFER REQUIREMENT

17.1 At the Last Practicable Date, Remgro International holds 167 645 356 Capevin Shares, which equates to approximately 19.0% of the issued share capital of Capevin immediately before the implementation of the RCI Exchange. The implementation of the RCI Exchange will result in Remgro International holding 1 047 748 621 Capevin Shares which will equate to approximately 59.5% of the issued share capital of Capevin immediately after the implementation of the RCI Exchange. This means that Remgro International will:

17.1.1 acquire a beneficial interest in, and be able to exercise, 59.5% of voting rights in Capevin, having previously exercised less than 35% of such voting rights in Capevin; and

17.1.2 through its 59.5% holding in Capevin, also acquire a beneficial interest in, and be able to exercise, the voting rights attaching to 52.8% of the shares in Distell (through RCI), having previously exercised less than 35% of such voting rights in Distell.

17.2 The RCI Exchange would ordinarily require that Remgro International make a Mandatory Offer to acquire:

17.2.1 the remaining Capevin Shares not held by Remgro International following the implementation of the RCI Exchange, in accordance with the provisions of the Companies Act; and

17.2.2 the Distell Shares held by the Distell Minorities, in accordance with the provisions of the Companies Act.

17.3 Shareholders are however advised that, to the extent that the Waiver Resolutions are adopted by the Distell Minorities and Capevin Minorities, respectively, and the Waiver Exemption is granted by the TRP, Remgro International will not be obliged to make a Mandatory Offer to the Distell Minorities or Capevin Minorities, respectively. Distell Shareholders are further advised that the adoption of the Waiver Resolutions by the Capevin Minorities and the Distell Minorities, respectively, and the obtaining of the Waiver Exemption from the TRP, are Conditions Precedent to the Transaction. Accordingly, no requirement to extend a Mandatory Offer will arise, if the Waiver Resolutions are not approved, as the Transaction will, in those circumstances, not proceed.

17.4 Regulation 86(4) of the Companies Regulations permits an exemption from the obligation to make a Mandatory Offer if the Distell Minorities or Capevin Minorities, as the case may be, as independent shareholders holding more than 50% of the general voting rights of all the issued shares of Distell or Capevin, respectively, agree to waive the benefit of the Mandatory Offer in accordance with the principles detailed in section 125(3)(b)(ii) of the Companies Act. As indicated above, the Schemes are subject to the Conditions Precedent that, *inter alia*, Waiver Resolutions are obtained from the Distell Minorities and Capevin Minorities, respectively. The Waiver Resolution in respect of the Distell Minorities is included in the notice of the Distell Scheme Meeting forming part of this Circular.

17.5 In terms of Regulation 86(7) of the Companies Regulations, the waiver of the Mandatory Offer Requirement by the Distell Minorities requires a fair and reasonable opinion. The required fair and reasonable opinion prepared by the independent expert is contained in Annexure 1 to this Circular. The Distell Independent Board, having received and considered the fair and reasonable opinion, is of the opinion that the waiver of the Mandatory Offer Requirement is fair and reasonable to the Distell Minorities. The Distell Independent Board accordingly recommends that Distell Minorities vote in favour of the Waiver Resolution proposed at the Distell Scheme Meeting.

17.6 The TRP has advised that it is willing to consider the application for the Waiver if the required majority of Distell Minorities waive their entitlement to the Mandatory Offer Requirement in accordance with Regulation 86(4) of the Companies Regulations.

17.7 If the Waiver Resolutions are validly passed by the Distell Minorities and the Capevin Minorities, the application for the TRP Waiver Ruling will be submitted to the TRP.

- 17.8 Any Distell Shareholder who wishes to make representations to the TRP regarding the waiver of the Mandatory Offer Requirement has 10 Business Days, from the date of the distribution of this Circular, to make such representations to the TRP. Representations should be made in writing and delivered by hand, posted or faxed to:

If delivered by hand or courier:

The Executive Director
Takeover Regulation Panel
1st Floor, Block 2, Freestone Park
135 Patricia Road
Atholl
Johannesburg
2196

If emailed:

admin@trpanel.co.za

If faxed:

The Executive Director
Takeover Regulation Panel
+ 27 (0) 11 784 0062

Such representations should reach the TRP by no later than the close of business on Thursday, 5 October 2017 in order to be considered.

- 17.9 Representations made to the TRP within the permitted timeframe will be considered by the TRP, before the TRP makes the TRP Waiver Ruling.
- 17.10 Distell will make an announcement regarding the results of the application to the TRP for the TRP Waiver Ruling upon receipt of same. Following such announcement, Distell Shareholders are entitled, within 5 Business Days of the issue of the aforesaid announcement by Distell, to request the Takeover Special Committee to review the TRP Waiver Ruling.

18. DISTELL SHAREHOLDER APPRAISAL RIGHTS

- 18.1 Section 164 of the Companies Act provides that:

18.1.1 at any time before the resolutions to enter into the Distell Scheme are voted on, a Distell Shareholder may give a written notice objecting thereto ("Notice of Objection");

18.1.2 within 10 Business Days after the Distell Shareholders have adopted the resolutions to enter into the Distell Scheme, Distell must send a notice ("Results Notice") that the resolutions have been adopted to each Distell Shareholder who gave a Notice of Objection and who neither withdrew such Notice of Objection nor voted in favour of the resolutions in question;

18.1.3 a Distell Shareholder may, within 20 Business Days after receipt of the Results Notice, demand in writing that Distell pay the Distell Shareholder the fair value for all the Distell Shares held by that Distell Shareholder if:

- the Distell Shareholder sent Distell a Notice of Objection;
- Distell has adopted the resolutions in question; and
- the Distell Shareholder voted against the resolutions in question and complied with all the procedural requirements of section 164 of the Companies Act.

- 18.2 The demand sent by the Distell Shareholders to Distell, as detailed in paragraph 18.1.3 above, must set out:

- the Distell Shareholder's name and address;
- the number of Distell Shares in respect of which the Distell Shareholder seeks payment; and
- a demand for payment of the fair value of such Distell Shares. The fair value of the Distell Shares is determined as at the date on which, and the time immediately before, Distell adopted the resolutions in question.

A copy of the demand must also be provided to the TRP.

Any Distell Shareholder that is in doubt as to what action to take, should consult its legal or professional adviser in this regard.

- 18.3 Distell Shareholders should have regard to the fact that, in appropriate circumstances as detailed in section 164 of the Companies Act (an extract of which is included in Annexure 5 to this Circular), the court is empowered to grant a costs order in favour of, or against, a Dissenting Distell Shareholder, as may be applicable.

- 18.4 Distell Shareholders should further have regard to the fact that one of the Conditions Precedent to the Distell Scheme is that either no Valid Demands are received by Distell in respect of the exercise by Dissenting Distell Shareholders of their Distell Shareholder Appraisal Rights or, if any Valid Demands are received, such demands are received from Dissenting Distell Shareholders holding less than 5% of the aggregate Distell Shares in issue as at the Last Practicable Date. Thus, if Valid Demands are received by Distell from Dissenting Distell Shareholders holding 5% or more

of the Distell Shares, the Distell Scheme will not become unconditional and will not be implemented, unless this Condition Precedent is waived as contemplated in paragraph 6.4 of this Distell Circular. In such event, the Distell Shares held by the Dissenting Distell Shareholders will not be purchased by Distell in terms of section 164 of the Companies Act.

- 18.5 The same condition precedent applies to the Capevin Scheme, in respect of the receipt by Capevin of Valid Demands from dissenting Capevin Shareholders in respect of the Capevin Shareholder Appraisal Rights. Thus, if Valid Demands are received by Capevin from dissenting Capevin Shareholders holding 5% or more of the Capevin Shares, the Capevin Scheme will not become unconditional and will not be implemented unless the relevant condition precedent is waived as contemplated in the Capevin Circular.
- 18.6 If a Dissenting Distell Shareholder withdraws its demand to be paid the fair value of its Distell Shares before Distell makes an offer in terms of section 164(11) of the Companies Act or allows an offer made by Distell to lapse, or if Distell fails to make an offer in terms of section 164(11) of the Companies Act and the Dissenting Distell Shareholder withdraws its demand to be paid the fair value of its Distell Shares, as contemplated in section 164(9)(a) and (b) of the Companies Act (an “Offer Termination Event”), such Dissenting Distell Shareholder shall:
- if the Offer Termination Event takes place on or before the Voting Record Date, be deemed to be a Scheme Participant and be subject to the provisions of the Distell Scheme; and
 - if the Offer Termination Event takes place after the Voting Record Date, be deemed to have been a Distell Shareholder as at the Distell Operative Date, provided that settlement of the DGHL Ordinary Shares to which such Dissenting Distell Shareholder is entitled, calculated in accordance with the Entitlement Ratio, and transfer of such Dissenting Distell Shareholders’ Distell Shares to DGHL shall take place as follows, namely: if the relevant Distell Shareholder is a Dematerialised Distell Shareholder, on the later of the Distell Operative Date and the date which is 5 Business Days after the Offer Termination Event occurs, or if the relevant Distell Shareholder is a Certificated Distell Shareholder, on the later of the Distell Operative Date and the date which is 5 Business Days after that Dissenting Distell Shareholder surrenders its Documents of Title and delivers a completed a Form of Surrender and Transfer (*blue*) in respect of the Distell Scheme to the Transfer Secretaries.

An extract of the Companies Act, containing the full text of sections 115 and 164, forms Annexure 5 to this Circular.

19. FINANCIAL EFFECTS OF THE TRANSACTION

- 19.1 In simplistic terms, the Schemes entail a swap by Capevin Shareholders and Distell Minorities of the Capevin Shares and Distell Shares for DGHL Ordinary Shares, respectively, with the result that Distell becomes a Subsidiary of RCI, which is a Subsidiary of Capevin, which is a Subsidiary of DGHL. The implementation of the Schemes (and the Transaction) will have no impact on the financial position of Distell Shareholders or Capevin Shareholders because:
- in relation to Distell Shareholders, such shareholders will retain their investment in Distell but will hold such investment through DGHL (with Capevin and RCI as intervening conduit vehicles through which part of such investment is held); and
 - in relation to Capevin Shareholders, such shareholders will retain their indirect investment in Distell but will hold such investment through DGHL (with Capevin and RCI as intervening conduit vehicles through which part of such investment is held).
- 19.2 Having regard to the above and the fact that DGHL is a shell which has never traded, DGHL will, after the Transaction has been implemented, effectively be a “mirror” of Distell save and except that Capevin and RCI will no longer be indirect and direct Distell Shareholders, respectively, but Subsidiaries of DGHL.
- 19.3 The following historical financial information is provided:
- Annexure B to the Prospectus contains the audited financial statements of Distell for the 3 years ended 30 June 2017, prepared in accordance with IFRS, Annexure C to the Prospectus contains the audited financial statements of Capevin for the three years ended 30 June 2017, prepared in accordance with IFRS, and Annexure D to the Prospectus contains the historical financial information of RCI for the 3 years ended 30 June 2017, prepared in accordance with IFRS; and
 - Further historical financial information regarding Distell can be obtained from the Distell website www.distell.co.za and regarding Capevin can be obtained from the Capevin website www.capevin.com.

20. GOVERNING LAW

The Transaction, including the Distell Scheme, will be governed by the laws of South Africa.

21. FOREIGN DISTELL SHAREHOLDERS

- 21.1 The issue of DGHL Ordinary Shares to Foreign Distell Shareholders in terms of the Distell Scheme may be affected by the laws of such Foreign Distell Shareholders' relevant jurisdiction. Those Foreign Distell Shareholders should consult their professional advisers as to whether they require any governmental or other consent or need to observe any other formalities to enable them to realise their entitlement in terms of the Transaction.
- 21.2 Foreign Distell Shareholders are referred to Annexure 2 for further information on the restrictions applicable to Foreign Distell Shareholders.

22. EXCHANGE CONTROL

- 22.1 Distell Shareholders whose registered address is outside the Common Monetary Area will need to comply with the Exchange Control Regulations set out in Annexure 4.
- 22.2 If Distell Shareholders are in any doubt as to what action to take, they should consult their professional advisers.

23. TAXATION CONSIDERATIONS RELATING TO THE DISTELL SCHEME

- 23.1 Distell and DGHL intend to rely on the provisions of section 42 of the Income Tax Act in respect of the Distell Scheme. This section provides relief from income tax, CGT and STT which would ordinarily be payable in respect of a transaction of the nature contemplated in the Distell Scheme.
- 23.2 Distell Shareholders are referred to Annexure 3 for information on the taxation consequences relating to the Distell Scheme.

24. MATERIAL INTERESTS OF DISTELL DIRECTORS

- 24.1 As at the Last Practicable Date, the Distell Directors held the following interests in Distell Shares (excluding Treasury Shares).

Name of Director	Indirect beneficial interest		SAR beneficial interest		Total beneficial interest	
	Distell Shares	Percentage interest	Distell Shares	Percentage interest	Distell Shares	Percentage Interest
DM Nurek	15 000	0.01%	–	–	15 000	0.01%
RM Rushton	–	–	559 007	0.25%	559 007	0.25%
LC Verwey	–	–	160 215	0.07%	160 215	0.07%
Total	15 000	0.01%	719 222	0.32%	734 222	0.33%

Based on 222 382 356 Distell Shares in issue, which excludes shares held as Treasury Shares

- 24.2 As at the Last Practicable Date, there were no dealings by Distell Directors subsequent to the financial period ended 30 June 2017.
- 24.3 Post the Distell Scheme being implemented, the abovementioned Distell Directors and their associates will no longer own any Distell Shares, as such shares will be exchanged with DGHL Ordinary Shares.

25. DISTELL DIRECTORS' SERVICE CONTRACTS AND REMUNERATIONS

The Distell Directors' service contracts and remuneration will not be varied as a result of the Distell Scheme. If the Distell Scheme becomes unconditional, the Distell Directors will be appointed as DGHL Directors, as detailed in Section One paragraph 1.2 of the Prospectus.

26. DISTELL DIRECTORS' INTERESTS IN THE DISTELL SCHEME

All Distell Shareholders will be treated equally in relation to the Distell Scheme, whether or not such Distell Shareholders are also directors of Distell. This means that the Distell Directors will receive DGHL Ordinary Shares, calculated in accordance with the Entitlement Ratio, pursuant to their holding of Distell Shares (if any) following the implementation of the Distell Scheme. The Distell Directors' interests in Distell are noted in paragraph 24 of this Circular, above.

27. DISTELL INDEPENDENT BOARD'S OPINION AND RECOMMENDATIONS

The Distell Independent Board was appointed by Distell, as is required by the Takeover Regulations, to provide its opinion on the Distell Scheme in terms of section 114 of the Companies Act. The Distell Independent Board has considered the terms of the Distell Scheme and has taken into account the opinion of the independent expert, as included in paragraph 28 below and as Annexure 1 to this Circular. It is the opinion of the Distell Independent Board that such terms are for the benefit of all Distell Shareholders and, accordingly, recommends that Distell Minorities vote in favour of the resolutions required to implement the Distell Scheme, which will result in the Distell Delisting.

28. INDEPENDENT EXPERT'S OPINION

Based on the results of the procedures performed by the independent expert, detailed valuation work and other considerations set out in the fairness opinion, attached as Annexure 1 to the Circular, the independent expert is of the opinion that the Distell Scheme is fair and reasonable to the Distell Shareholders.

29. TRANSACTION EXPENSES

The estimated expenses (excluding VAT) that will be incurred by Distell in the implementation of the Distell Scheme, and which will be settled from Distell's cash resources, are as follows:

Service	Service provider	Estimated amount (R)
Legal adviser	CDH	R1 500 000
Independent Expert	Ernst & Young	R190 000
JSE inspection fees	JSE	R13 950
TRP inspection fees	TRP	R450 000
Ince	Printing	R125 000
Total		R2 278 950

30. RESPONSIBILITY STATEMENT

30.1 Distell Independent Board

The members of the Distell Independent Board, collectively and individually, accept full responsibility for the accuracy of the information given in this Circular, and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this Circular contains all information required by law and the Listings Requirements.

30.2 Distell Directors

The Distell Directors, collectively and individually, accept full responsibility for the accuracy of the information given in this Circular but excluding information in relation to the matters on which the Distell Independent Board has opined, and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this Circular contains all information required by law and the Listings Requirements.

31. CONSENTS

The financial adviser, sponsor, legal adviser, independent expert and Transfer Secretaries, whose names are included in this Circular, have consented in writing to act in the capacities stated and to their names being included in the Circular and have not withdrawn their consents prior to the publication of the Circular.

32. MATERIAL CHANGES

The Distell Directors are not aware of any material changes in the financial or trading position of Distell or its Subsidiaries subsequent to the latest published annual report for the period ended 30 June 2017, other than the changes noted in this Circular.

33. LITIGATION

There are currently no legal or arbitration proceedings, including any such proceedings that are pending or threatened, which may have, or have had, a material effect on the Distell Group's financial position during the 12 months preceding the date of issue of this Circular.

34. MATERIAL CONTRACTS

Save as detailed below, Distell has not, for the 2 years preceding the Last Practicable Date, entered into any material contracts, being restrictive funding arrangements and/or any contract entered into otherwise than in the ordinary course of the business carried on by Distell, which contains an obligation or settlement that is material to Distell or the Distell Group. The only material contracts out of the ordinary course of business entered into by Distell in the 2 years preceding the Last Practicable Date are:

- 34.1 the agreement to propose and implement the Transaction, concluded with DGHL and Capevin. In this regard DGHL, Distell and Capevin agreed on 21 June 2017 that, subject to the Conditions Precedent being met or waived, if applicable, and the required regulatory approvals being obtained, the Transaction would be proposed and implemented; and
- 34.2 the agreements concluded in July 2017 in relation to the acquisition by Distell International Holdings Limited (a wholly owned subsidiary of Distell) of (i) 26% of Best Global Brands Limited ("BGB"), a holding company of a group which owns, manufactures and distributes the "Best" spirit brand in various countries throughout Africa, for US\$54.6 million ("Phase 1 of the BGB Transaction"); and (ii) once the relevant hurdles are achieved and conditions precedent met, but no earlier than the end of 2019, the remaining 74% of BGB for a purchase price determined with reference to a 9.3 x multiple of BGB's last 12 months, after tax, operating performance ("Phase 2 of the BGB Transaction"), as announced on SENS on 28 July 2017. Phase 1 of the BGB Transaction is not subject to any conditions precedent, has an effective date of 28 July 2017 and will be funded from internal cash resources. Phase 2 of the BGB Transaction will only be implemented if certain hurdles are met, which hurdles will be measured every 6 months from 30 June 2019 to 30 June 2022 against agreed criteria relating, *inter alia*, to (i) volumes delivered by the Angola operations, (ii) externalisation of cash remittances to other group companies; and (iii) minimum group profitability margins being achieved. Phase 2 of the BGB Transaction is, in addition, subject to the following conditions precedent, namely (i) all required regulatory approvals being obtained, (ii) Distell concluding a successful equity capital raising or obtaining the necessary funding to settle the purchase consideration payable in respect of Phase 2 of the BGB Transaction, and (iii) no material adverse change having occurred in Angola or any other territory comprising more than 20% of BGB's turnover. The purchase consideration payable in respect of Phase 2 of the BGB Transaction is payable in 2 (two) tranches, with 65% payable upon closing of Phase 2 of the BGB Transaction and the remaining 35% being deferred subject to certain hurdles being met within the earlier of 3 years of closing and 30 June 2023.

35. WORKING CAPITAL STATEMENT

The Distell Directors have considered the effects of the Transaction and are of the opinion that, the working capital of Distell and its Subsidiaries is sufficient for the working capital requirements for the next 12 months from the date of issue of the Circular.

36. FUNDING OF THE DISTELL SCHEME

DGHL has confirmed to the Distell Directors that it will be able to issue the number of DGHL Ordinary Shares which will be required to be issued pursuant to the Distell Scheme and the Capevin Scheme, and that it has the necessary board and shareholder authority to issue such DGHL Ordinary Shares in accordance with the Distell Scheme and the Capevin Scheme, respectively.

37. GENERAL

- 37.1 Subject to the prior written consent of DGHL, and subject to the approval of the TRP, the Distell Board may consent, before or at the Distell Scheme Meeting, to any amendments, variations or modification to the Distell Scheme, provided that the Entitlement Ratio shall not be changed.
- 37.2 A certificate signed by a duly authorised director of each of Distell, Capevin and DGHL stating that the Distell Scheme is unconditional and has become operative, shall be binding on DGHL, Distell, Capevin and their shareholders.
- 37.3 All times and dates referred to in this Circular are subject to change by agreement between DGHL, Distell and Capevin, with the approval of the TRP and JSE where required. Any changes will be published on SENS.

38. DISTELL SCHEME MEETING

- 38.1 The Distell Scheme Meeting is to be held at 12h00 on Friday, 27 October 2017, at Van Ryn's Distillery & Brandy Cellar, Van Ryn Road, Vlottenburg, Stellenbosch, 7600, in order to consider and, if deemed fit, pass the special and ordinary resolutions of Distell necessary to give effect to the Waiver and the Distell Scheme, which will result in the Distell Delisting.
- 38.2 A notice convening the Distell Scheme Meeting is attached to and forms part of this Circular.
- 38.3 Remgro and its Related Parties and any persons Acting in Concert with Remgro will not vote their Capevin Shares on the resolutions to be proposed at the Capevin Scheme Meeting and RCI and its Related Parties and any persons Acting in Concert with RCI will not vote its Distell Shares on the resolutions to be proposed at the Distell Scheme Meeting.

39. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the registered office of Distell and the offices of Rand Merchant Bank, whose details can be found in the "Corporate Information and Advisers" section of this Circular, during normal business hours and on Business Days, from the date of issue of this Circular up to and including the date of the Distell Scheme Meeting:

- the written letters of consent as given in paragraph 31 above;
- the audited annual financial statements of Distell for the financial years ended 2015-2017 referred to in paragraph 19 above;
- the letter from the TRP, approving this Circular;
- the DGHL MOI, incorporating the B Share Terms,
- the Prospectus of DGHL;
- a signed copy of the independent expert's report detailed in Annexure 1;
- the rules of the Distell Employee Scheme;
- a signed copy of this Circular;
- a signed copy of the Capevin Circular (which is also available on the Capevin website: <http://www.capevin.com>); and
- the letters of support referred to in paragraph 13.

For and on behalf of the Distell Directors

AC Parker

Lead independent Director

Stellenbosch

Tuesday, 12 September 2017

ANNEXURE 1: REPORT AND OPINION OF THE INDEPENDENT EXPERT

The Independent Board
Distell Group Limited
Aan-de-Wagenweg
Stellenbosch
7600
South Africa

14 September 2017

INDEPENDENT EXPERT OPINION ON THE RESTRUCTURING OF DISTELL'S MULTI-TIERED SHAREHOLDING STRUCTURE

Dear Sirs

1 Introduction

Distell Limited ("Distell") currently has a multi-tiered ownership structure, in that Remgro Limited ("Remgro") and Capevin Holdings Limited ("Capevin") each own a material indirect interest in Distell via Remgro-Capevin Investments Pty Limited ("RCI"), which in turn holds a 52.8% direct interest in Distell.

The current ownership structure is viewed as a multi-tiered ownership structure as the JSE-listed Capevin's only assets comprise of the same basic assets as that of Distell.

Distell, in conjunction with Capevin and Remgro, have proposed a simplification of their multi-tiered ownership structure through the implementation of the Transaction.

The full details of the Transaction are set out in Distell's SENS announcement dated 22 June 2017 and are contained in this circular issued to Distell Shareholders ("Circular"), to which this opinion forms Annexure 1.

The salient details of the Transaction are as follows:

- A new entity has been established, namely Business Venture Investments No 1997 Limited ("DGHL"), whose ordinary shares will be listed on the JSE (the "DGHL Listing").
- Remgro will exchange its shareholding in RCI for shares in Capevin ("the RCI Exchange").
- Distell will propose a scheme of arrangement between Distell and Distell shareholders other than RCI ("Distell Minorities"), and Capevin will propose a scheme of arrangement between Capevin and Capevin shareholders, in terms of section 114 of the Companies Act, No 71 of 2008 ("Companies Act"), in terms of which DGHL will issue shares to all Capevin shareholders (the "Capevin Scheme") and all Distell Minorities (the "Distell Scheme") in exchange for their shares in Capevin and Distell, respectively, with the result that DGHL will own 100% of Distell directly and indirectly via Capevin and RCI.
- The issue of DGHL ordinary shares to all Capevin shareholders and Distell Minorities will have the result that they retain their current effective economic interest in Distell.
- DGHL will also issue unlisted voting shares (the "B Shares") to Remgro. The B Shares will have no economic rights but will have voting rights. The B Shares issued to Remgro will be "linked" to those DGHL ordinary shares that Remgro will receive in terms of the Capevin Scheme in exchange for its Capevin shares received in terms of the RCI Exchange (the "Linked Ordinary Shares"). The B Shares and accompanying Linked Ordinary Shares will provide Remgro with the same level of voting rights in Distell as it held immediately after the RCI Exchange, namely 52.8%.
- Distell and Capevin shares will be delisted from the JSE.

By agreement with the JSE and the TRP:

- Remgro will not be entitled to vote on the resolutions to approve the relevant steps of the Transaction, which will be proposed at the Capevin Scheme meeting; and
- RCI will not be entitled to vote on the resolutions to approve the relevant steps of the Transaction, which will be proposed at the Distell Scheme meeting.

The exchange of Distell shares for DGHL ordinary shares will occur on a one-to-one ratio for existing Distell shareholders and the exchange of Capevin shares for DGHL ordinary Shares will occur on a 1 to 0.0667 ratio, as set out in the table below, to retain the same economic interest in DGHL.

The table below provides a summary of the current direct ownerships of Distell and Capevin respectively prior to the Transaction:

Capevin Shareholders	Shares	Shareholders' interest
Remgro	167 645 356	19.0%
Coronation (1)	198 488 820	22.6%
PIC	109 587 699	12.5%
Capevin Minorities (excl. PIC and Coronation)	404 381 390	45.9%
Total	880 103 265	100.0%

Distell shareholders	Shares	Shareholders' interest
RCI (50% Remgro / 50% Capevin) (2)	117 348 000	52.8%
Remgro (2)	58 674 000	26.4%
Capevin	58 674 000	26.4%
PIC	62 193 303	28.0%
Distell Minorities (excl. PIC)	42 841 053	19.2%
Total	222 382 356	100.0%

Notes to tables:

1. Representing the clients of Coronation.
2. Remgro's holding is through RCI, which after the RCI Exchange is controlled by Remgro and provides Remgro 52.8% of the voting rights in Distell.

The table below provides a summary of the current economic interest and voting rights exercised by the various shareholder groupings in Distell, compared to their position in DGHL.

Summary of economic interests & voting rights exercised in Distell			Economic interest	Voting rights exercised
Remgro (via RCI)			26.4%	52.8%
Capevin Shareholders (via RCI) (3)			26.4%	0.0%
Remgro (via Capevin)			5.0%	0.0%
Coronation			6.0%	0.0%
PIC			3.3%	0.0%
Capevin Minorities (excl. PIC and Coronation)			12.1%	0.0%
PIC			28.0%	28.0%
Distell Minorities (excl. PIC)			19.2%	19.2%
Total			100.0%	100.0%

Summary of economic interests & voting rights exercised in DGHL	Ordinary Shares in DGHL	B Shares in DGHL	Economic interest	Voting rights exercised
Remgro (via RCI)	58 674 000	124 226 613	26.4%	52.8%
Capevin Shareholders (via RCI)	58 674 000	-	26.4%	16.9%
Remgro (via Capevin)	11 176 443	-	5.0%	3.2%
Coronation	13 232 689	-	6.0%	3.8%
PIC	7 305 903	-	3.3%	2.1%
Capevin Minorities (excl. PIC and Coronation)	26 958 966	-	12.1%	7.8%
PIC	62 193 303	-	28.0%	17.9%
Distell Minorities (excl. PIC)	42 841 053	-	19.2%	12.4%
Total	222 382 356	124 226 613	100.0%	100.0%

Notes to tables:

- Represents the minority shareholders of Capevin's interest in RCI that are converted to DGHL shares.

As required by the Companies Act, Distell has constituted an independent board in order to consider and deal with the Transactions and the Distell Scheme in particular ("the Distell Independent Board").

The Distell Scheme is a scheme of arrangement in terms of section 114 (1) of the Companies Act and an independent expert's report is accordingly, in terms of section 114 (3) of the Companies Act read with Regulations 90 and 110 of the Companies Regulations, 2011, as amended ("Companies Regulations"), required to be appointed by the Distell Independent Board.

Remgro International currently holds and will immediately before the implementation of the RCI Exchange hold approximately 19.1% of the issued Capevin shares. The implementation of the RCI Exchange will result in Remgro International holding approximately 59.5% of the issued shares in Capevin immediately after the implementation of the RCI Exchange. This means that Remgro International will acquire a beneficial interest in, and be able to exercise, 59.5% of voting rights in Capevin, having previously exercised less than 35% of such voting rights in Capevin. (It will as a directly consequence of the RCI Exchange therefore also acquire a beneficial interest in and be able to indirectly control the exercise of more than 35% of the voting rights in Distell).

Consequently, in terms of Section 123 of the Companies Act read with the Companies Regulations, Remgro is obliged to make a mandatory offer -

- to Capevin Minorities to acquire all of the ordinary shares of Capevin (other than those that it already owns) unless this requirement is waived in accordance with Regulation 86(4) of the Companies Regulations; and
- to Distell Minorities to acquire all of the ordinary shares of Distell (other than those owned by RCI) ("Distell Mandatory Offer"), unless this requirement is waived in accordance with Regulation 86(4) of the Companies Regulations ("Distell Mandatory Offer Waiver").

Regulation 86(4) of the Companies Regulations permits an exemption from the obligation to make a mandatory offer to be granted by the Takeover Regulation Panel (the "TRP") if the independent shareholders holding more than 50% of the general voting rights of all the affected shares of the relevant company agree to waive the benefit of the mandatory offer in accordance with the principles detailed in section 125(3)(b)(ii) of the Companies Act.

It is a condition to the Distell Scheme and to the Capevin Scheme, that the Distell Minorities and Capevin Minorities respectively, via separate whitewash resolutions, waive their right to receive a mandatory offer from Remgro pursuant to the RCI Exchange and that the TRP grants a dispensation exempting Remgro from such mandatory offer Requirement.

The TRP has been asked to grant such an exemption, subject to more than 50% of the general voting rights of the Distell Minorities resolving to waive the right to receive a mandatory offer, as envisaged by regulation 86(4) of the Companies Regulations.

In terms of regulation 86(7) of the Companies Regulations, a proposal to shareholders to consider and vote on such a waiver requires a fair and reasonable opinion to be obtained from independent expert and for such report to be included in the applicable circular to shareholders.

2 Scope

The Distell Scheme constitutes a scheme of arrangement in terms of S114 (1) of the Companies Act No 71 of 2008 and as such an independent expert's report is required to be obtained by the Distell Independent Board and to be included in this Circular.

In terms of regulation 86(7) of the Companies Regulations, the proposal to Distell Minorities to consider and vote on the Distell Mandatory Offer Waiver requires a fair and reasonable opinion to be obtained from an independent expert and for such report to be included in this Circular to shareholders.

Ernst & Young Advisory Services (Proprietary) Limited ("EY") has been appointed by the Distell Independent Board as the independent expert -

- to provide a report in relation to the Distell Scheme, as required by section 114 (3) of the Companies Act read with Regulations 90 and 110 of the Companies Regulations; and
- to provide a fair and reasonable opinion in respect of the Distell Mandatory Offer Waiver, as required by regulation 86(7) of the Companies Regulations.

Copies of sections 115 and 164 of the Companies Act are set out in Annexure 5 of this Circular.

3 Responsibility

Compliance with the Companies Act and Takeover Regulations is the responsibility of the Distell Independent Board. Our responsibility is to report on the Distell Scheme and to provide an opinion in respect of the Distell Mandatory Offer Waiver in compliance with the Companies Act and Companies Regulations.

We confirm that our report has, insofar as it relates to the Distell Scheme, been provided to the Distell Independent Board for the sole purpose of assisting it in forming and expressing an opinion for the benefit of Distell Shareholders.

4 The terms "fair" and "reasonable"

Market value is defined as the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

A transaction will generally be considered "fair" to the company's shareholders if the benefits received by shareholders, as a result of a corporate action, are equal to or greater than the value surrendered.

The assessment of "reasonableness" is generally based on qualitative issues. Even though the consideration attributable to the transaction may differ from the market value of the shares subject to a transaction, a transaction may still be reasonable after considering other significant qualitative factors.

This report and opinion does not purport to cater for individual shareholders' positions but rather the general body of Distell Minorities.

A Distell shareholder's opinion regarding the Distell Scheme, the Distell Mandatory Offer Waiver and the Transaction may be influenced by his or her particular circumstances (for example taxation and the consideration received for the shares). Should a Distell shareholder be in doubt, he or she should consult an independent expert as to the merits Distell Scheme, the Distell Mandatory Offer Waiver or the Transaction, considering his/her personal circumstances.

5 Information utilized

We relied on financial and other information, including prospective financial information, obtained from Distell's management team, together with industry-related and other information in the public domain in developing our valuation model. Our conclusion is dependent on such information being complete and accurate in all material respects.

The principal sources of information used in performing our independent valuation and in formulating our opinion regarding the terms and conditions of the Distell Scheme include:

- SENS announcement released by the board of Distell on 22 June 2017
- Distell management's 5-year forecast
- 5-year strategy document prepared for the board and key stakeholders in June 2017
- Audited annual financial statements of Distell for the year ended 30 June 2016
- Interim financial statements of Distell for the half year ended 31 December 2016

Where practical, we have corroborated the reasonableness of the information provided to us for the purpose of our opinion, whether in writing or obtained through discussions with the respective management teams.

6 Procedures performed

We have undertaken the following procedures in evaluating the Distell Scheme and the Distell Mandatory Offer Waiver:

- Reviewed the envisioned steps for executing the Transaction as set out in the SENS announcement released by Distell on 22 June 2017.
- Compared the economic interests and voting rights of the various Distell shareholders prior to the Transaction and post the Transaction to establish whether:
 - The economic participation and rights to dividends have at least remained the same or improved;
 - The ability to influence the decision making of the business has not been deteriorated by losing their ability to block or support ordinary or special resolutions; and

- The value of the Distell shares would be negatively impacted by the Transaction, and more specifically by the introduction of the Capevin shareholders as new direct shareholders in DGHL.
- Reviewed the reasonableness of management's forecast assumptions, including:
 - Cash flow forecasts;
 - Projected profit and EBITDA margins;
 - Long term growth rates; and
 - Other performance measures.
- Performed a corroborative valuation as at 30 June 2017.
- Reviewed the correspondence between PIC and Distell to establish their support for the Transaction.
- Considered the rationale for the Transaction.
- Held discussions with management.
- Considered the information included in analysts' reports.

We have not held interviews with the Distell Shareholders.

7 Valuation approach and results

Distell

In considering the Distell Scheme, we performed a corroborative valuation of Distell based on the information available to us at 6 July 2017.

For the purposes of our valuation, our methodology included:

- Applying the income approach by way of a discounted cash flow forecast valuation, based on Distell management's most recent business plans.
- Assessing the impact of key internal value drivers on the projected cash flow targets, by amongst other procedures:
 - Considering the capital expenditure required to execute the growth plan;
 - Analysing the working capital investment required to execute the growth plan; and
 - Separating the expected returns generated from investments in operational efficiencies, or inorganic growth from new investments from the base operating businesses of Distell.
- Assessing the impact of various key external value drivers such as inflation, expected GDP growth, consumer confidence and interest rate yields on the risk profile of the projected cash flows and resultant discount rates.
- Below is a summary of our critical valuation assumptions applied:
 - A weighted average cost of capital ("WACC") of 11.57%;
 - Terminal growth rate of 5.3% based on South African inflation expectations;
 - EBITDA margin 11.7%;
 - A minority discount of 13% based on a 2016 independent survey;
 - That reliance can be placed on the historical and forecast financial information as prepared by Distell management; and
 - There are no undisclosed contingencies that could impact the value of Distell.

A sensitivity analysis performed on the key value drivers of Distell is summarised in the table below that sets out the valuation range determined. We note that the discount rate applied in the valuation is subject to the required return of the individual investor.

<i>Sensitivities</i>	Midpoint DCF valuation	WACC - 1%	WACC + 1%	Terminal growth + 1%	Terminal growth - 1%	Higher EBITDA growth	Lower EBITDA growth
Discount / premium to base	R30.40bn	20%	-12%	16%	-12%	28%	-37%

The above sensitivities were performed using the base DCF valuation of Distell and making the following adjustments to the key inputs and assumptions of the valuation:

- Increased and decreased the WACC of 11.57% by 1% respectively;
- Increased and decreased the terminal growth rate of 5.3% by 1% respectively; and
- Increased and decreased management's target EBITDA growth for each year in the forecast period by 1% respectively.

DGHL

In considering the Distell Scheme, we also performed a corroborative valuation of DGHL on a pro-forma basis based on the information available to us at 6 July 2017.

The sole investment of DGHL will be (i) a 52.8% indirect interest in Distell, held via Capevin and (ii) a direct 47.2% direct interest in Distell.

We have accordingly valued DGHL on a pro-forma basis by applying the same methodology as for Distell. The result of our valuation concluded that the one for one swap ratio of Distell shares for DGHL shares is fair.

The table below presents the expected swap ratio to be applied for Distell shareholders for the implied share prices determined in our valuation range.

<i>Valuation results</i>	Rands (billion)	Share price (Rands)	Distell swap ratio
Mid-point	30.39	136.67	1:1
Low	26.80	120.54	1:1
High	36.45	163.91	1:1

8. Approach to fairness and reasonableness of the Distell Mandatory Offer Waiver

In assessing the fairness and reasonableness of the Distell Mandatory Offer Waiver, we considered the following:

- The overall context under which the B Shares are created;
- The legal attributes and voting rights of each class of shares in Distell; and
- The net benefits that ultimately accrue to each class of Distell shares as the ultimate result of the RCI Exchange (i.e. the economic and voting rights before and after the event).

Ultimately the implementation of the RCI Exchange is merely one of series of steps comprising the Transaction, and following the implementation of the Transaction the earnings and dividends for all Distell shareholders will be the same as before the RCI Exchange. Ultimately the rights and interests of Distell Minorities are not materially affected by the RCI Exchange.

9 Shareholder rights

There will be no material change to the rights of the Distell Shareholders as a result of the execution of the Transaction.

It is noted that the PIC currently holds 28% of the voting rights in Distell and has the ability to exercise certain rights such as blocking a special resolution at annual general meetings. The Transaction will result in PIC's economic position being unaffected but its level of effective voting control diluting to 17.9%, which falls below the 25% threshold to block any special resolutions.

Valuation considerations

The DGHL ordinary shares will be issued at a price equivalent to the last trading price of the current Distell shares on the eventual implementation date, determined by the swap ratios set out for the various shareholders in the SENS announcements.

The current Distell Minorities will receive a direct swap for DGHL ordinary shares and will retain the same economic interest as before the Transaction.

The Transaction will introduce the Capevin shareholders as new shareholders in Distell, who will receive DGHL ordinary shares in lieu of their delisted Capevin shares at a ratio of 0.06667 DGHL ordinary shares for every 1 Capevin share held. The swap ratio will result in value being added for the Capevin shareholders as shareholders in DGHL, as the Capevin shares have historically traded at a discount to Distell shares, but this is not at the expense of Distell Minorities.

The anticipated added value generated for Capevin shareholders should not result in the holdings of the current Distell Minorities being decreased, as:

- Capevin shares have historically traded at a discount to that of Distell, which is brought on by the complex holding structure and additional head office costs incurred.
- Current Distell shareholders will retain their proportionate shareholding in DGHL, which in turn will retain the same economic and shareholder control over the operating assets as the current business.
- DGHL will hold 100% of Capevin, who in turn will hold 100% of RCI. Furthermore RCI and New Distell will hold 100% of Distell in which the operating assets are housed. The new holding structure should not result in DGHL ordinary shares being traded at a discount to the old shares.
- The share price of DGHL will possibly be positively influenced by the addition of a new grouping of minority shareholders, through added liquidity and a larger free float of shares traded.

Voting rights

The Transaction results in all of the Distell shareholders retaining the same economic interest in DGHL as what they held in Distell, however their voting rights are diluted by the issuance of the B Shares to Remgro. The other Distell Minorities whose voting rights are diluted from 19.2% to 12.4%, during the restructuring, are not considered to be unfairly impacted by the dilution as the individual shareholders' ability to influence the decisions of the company, either individually or as a grouping, has not changed. Distell directors that own shares in Distell are included in the Distell Minorities grouping. These directors are treated equitably with the other Distell Minorities.

Resolution to waive the right to receive a mandatory offer from Remgro

As a condition to the Distell Scheme and Capevin Scheme, the Distell Minorities and Capevin minorities will respectively be required, via separate whitewash resolutions each approved by the TRP, to waive their right to receive a mandatory offer from Remgro pursuant to the RCI Exchange.

The condition requires that the impacted parties pass the approved whitewash resolution based on the current shareholder's rights. Therefore, the Distell shareholders would have the right to block such a waiver, should they wish to do so.

10 Opinions

The Distell Scheme

Based on the results of our procedures performed, our detailed valuation work and the other considerations listed in paragraphs 6 to 9 above, we are of the opinion that the Distell Scheme is both fair and reasonable to Distell shareholders.

The Distell Mandatory Offer Waiver

Subsequent to the implementation of the RCI Exchange and the resultant increase of the voting control of Remgro in respect of Distell, the earnings and dividends for all Distell shareholders will be the same as before the RCI Exchange. Ultimately the economic rights and interests of Distell shareholders of Distell Minorities are not affected by the RCI Exchange.

Based on the results of our procedures performed, our detailed valuation work and the other considerations listed in paragraphs 6 to 9 above, we are of the opinion that the Distell Mandatory Offer Waiver is fair and reasonable to the Distell Shareholders.

11 Limiting conditions

The valuation above is provided solely in respect of this report and opinion and should not be used for any other purposes. Our opinion is based upon the information available to us up to 7 July 2017, including in respect of the financial, regulatory, securities market and other conditions and circumstances existing and disclosed to us at the date thereof. We have furthermore assumed that all conditions precedent, including any material regulatory, other approvals and consents required in connection with the Distell Scheme and the Transaction have been or will be timeously fulfilled and/or obtained. Accordingly, it should be understood that subsequent developments may affect this opinion, which we are under no obligation to update, revise or re-affirm.

This report and opinion does not purport to cater for each individual Distell shareholder's circumstances and/or risk profile, but rather that of the general body of shareholders taken as a whole. Each Distell shareholder's decision will be influenced by such shareholder's particular circumstances and, accordingly, shareholders should consult with an independent adviser if they are in any doubt as to the merits or otherwise of the Transaction.

This report and opinion is provided solely for the use of the Distell Independent Board and Distell Shareholders and for the sole purpose of assisting the Distell Independent Board in forming and expressing an opinion on the Distell Scheme for the benefit of the Distell Shareholders. Unless as stipulated in this letter, this opinion shall not, in whole or in part, be disclosed, reproduced, disseminated, quoted, summarised or referred to at any time, in any manner or for any purpose, nor shall any public references to EY or Ernst & Young Advisory Services Proprietary Limited be made by Distell or any of its affiliates, without the prior consent of Ernst & Young Advisory Services Proprietary Limited.

We have relied upon the accuracy of the information used by us in deriving our opinion albeit that, where practicable, we have corroborated the reasonableness of such information through, amongst other things, reference to work performed by independent third party/ies, historic precedent or our own knowledge and

understanding. While our work has involved an analysis of the valuation model and other information provided to us, our engagement does not constitute, nor does it include, an audit conducted in accordance with generally accepted auditing standards. Accordingly, we assume no responsibility and make no representations with respect to the accuracy of any information provided to us in respect of Distell.

Forecasts relate to uncertain future events and are based on assumptions, which may not remain valid for the whole of the forecast period. Consequently, forecast financial information cannot be relied upon to the same extent as that derived from audited financial statements for completed accounting purposes. We express no opinion as to how closely actual results will correspond to projections made by the management of Distell (including its underlying investments) and made available to us during the course of our review.

12 Independence, competence and fees

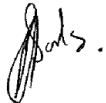
We confirm that we have no direct or indirect interest in Distell (including underlying investments) shares. We also confirm that we have the necessary qualifications and competence to provide this report and opinion on the acquisition.

Our fees amount to R190,000 excluding VAT and disbursements. Furthermore, we confirm that our professional fees are not contingent upon the success of the Distell Scheme.

13 Consent

We consent to the use of our name, the inclusion of this letter and the reference to our report and opinion in the Circular to be issued to the Distell Shareholders in the form and context in which it appears and in any required regulatory announcement or documentation.

Yours sincerely



Hannes Boshoff
Partner



Steve Alt
Partner

Ernst & Young Advisory Services Proprietary Limited

INFORMATION FOR FOREIGN DISTELL SHAREHOLDERS AND FOR ALL DISTELL SHAREHOLDERS IN RESPECT OF EXCHANGE CONTROL REGULATIONS

1. DISTRIBUTIONS TO FOREIGN DISTELL SHAREHOLDERS

The distribution of DGHL Ordinary Shares to Foreign Distell Shareholders, in terms of the Distell Scheme, may be affected by the laws of such Foreign Distell Shareholders' relevant jurisdiction. Those Foreign Distell Shareholders should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their entitlements.

This section sets out the restrictions applicable to Distell Shareholders who have registered addresses outside South Africa, who are nationals, citizens or residents of countries other than South Africa, or who are persons (including, without limitation, custodians, nominees and trustees) who have a contractual or legal obligation to forward this document to a jurisdiction outside South Africa or who hold shares for the account or benefit of any such Foreign Distell Shareholder.

It is the responsibility of any Foreign Distell Shareholder (including, without limitation, nominees, agents and trustees for such persons) receiving this Circular and wishing to take up their entitlement to DGHL Ordinary Shares to satisfy themselves as to full observance of the applicable laws of any relevant territory, including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories. Foreign Distell Shareholders are obliged to observe the applicable legal requirements of their relevant jurisdictions.

Accordingly, persons (including, without limitation, nominees, agents and trustees) receiving this Circular should not distribute or send the same to any person in, or citizen or resident of, or otherwise into any jurisdiction where to do so would or might contravene local securities laws or regulations. Any person who does distribute this Circular into any such territory (whether under a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this Annexure.

Distell reserves the right, but shall not be obliged, to treat as invalid any distribution of DGHL Ordinary Shares, in terms of the Distell Scheme, which appears to Distell or its agents to have been executed, effected or dispatched in a manner which may involve a breach of the securities laws or regulations of any jurisdiction or if Distell believes or its agents believe that the same may violate applicable legal or regulatory requirements.

An "Excluded Foreign Distell Shareholder" includes any Foreign Distell Shareholder who is unable to receive any of the DGHL Ordinary Shares to be distributed to him because of the laws of the jurisdiction of that Shareholder, or any Foreign Distell Shareholder that Distell is not permitted to distribute any of the DGHL Ordinary Shares to because of the laws of the jurisdiction of that Distell Shareholder. The DGHL Ordinary Shares to which Excluded Foreign Distell Shareholders would be entitled in terms of the Distell Scheme may be aggregated and disposed of on the JSE by the Transfer Secretaries on behalf of and for the benefit of Excluded Foreign Distell Shareholders as soon as is reasonably practical after the implementation of the Distell Scheme.

Excluded Foreign Distell Shareholders will, in respect of their entitlement to the DGHL Ordinary Shares, receive the average consideration per Distell Share (net of transaction and currency conversion costs) received by the Transfer Secretaries pursuant to the sale process as set out in the preceding paragraph. The average consideration per DGHL Ordinary Share due to each Excluded Foreign Distell Shareholder will only be paid once all such DGHL Ordinary Shares have been disposed of.

2. EXCHANGE CONTROL

The DGHL Ordinary Shares are not freely transferable from the common monetary area and must be dealt with in terms of the Exchange Control Regulations. The following is a summary of the Exchange Control Regulations, is not comprehensive and is intended as a guide only. In the event that Distell Shareholders have any doubts in respect of their obligations in terms of the Exchange Control Regulations, they should consult their professional advisers.

2.1 **Emigrants from the Common Monetary Area**

The DGHL Ordinary Shares received by the Distell Shareholders who are emigrants from the Common Monetary Area and whose registered address is outside the common monetary area will:

- in the case of Dematerialised Distell Shareholders be credited to their blocked share accounts at the CSDP controlling their blocked portfolios; or
- in the case of Certificated Distell Shareholders whose Documents of Title have been restrictively endorsed under the Exchange Control Regulations, be endorsed “Non-Resident” and will be sent to the Authorised Dealer in foreign exchange controlling their blocked assets.

The CSDP or Broker will ensure that all requirements of the Exchange Control Regulations are adhered to in respect of their clients falling into this category of investor, whether shares are held in dematerialised or certificated form.

Any entitlement payment pursuant to the Distell Scheme will, in the case of Dematerialised Distell Shareholders, be credited to their blocked banking account at the CSDP controlling their blocked portfolios or, in the case of Certificated Distell Shareholders whose Documents of Title have been restrictively endorsed under the Exchange Control Regulations, be sent to the Authorised Dealer in foreign exchange controlling their blocked assets for credit to their blocked Rand account.

2.2 **All other Non-residents of the Common Monetary Area**

The DGHL Ordinary Shares received by the Distell Shareholders who are Non-residents of the Common Monetary Area and who have never resided in the Common Monetary Area and whose registered address are outside the Common Monetary Area will:

- in the case of Dematerialised Distell Shareholders be credited to their share accounts at the CSDP controlling their portfolios; or
- in the case of Certificated Distell Shareholders whose Documents of Title have been restrictively endorsed under the Exchange Control Regulations, be deposited with an Authorised Dealer in foreign exchange in South Africa nominated by such Distell Shareholder. It will be incumbent on the Distell Shareholder concerned to nominate the Authorised Dealer and to instruct the nominated Authorised Dealer as to the disposal of the relevant DGHL Ordinary Shares. If the information regarding the Authorised Dealer is not given, the DGHL Ordinary Shares will be held in trust for the Distell Shareholder concerned pending the receipt of the necessary information or instruction.

The CSDP or Broker will ensure that all requirements of the Exchange Control Regulations are adhered to in respect of their clients falling into this category of investor, whether held in Dematerialised or Certificated form.

Any payment of the Entitlement Ratio distributed pursuant to the Distell Scheme will be regarded as freely transferable and, in the case of Dematerialised Distell Shareholders, be credited to their banking account at the CSDP controlling their portfolios or, in the case of certificated shareholders whose Documents of Title have been restrictively endorsed under the Exchange Control Regulations, be deposited with an Authorised Dealer in foreign exchange in South Africa nominated by such Distell Shareholder. It will be incumbent on the Distell Shareholder concerned to nominate the Authorised Dealer and to instruct the nominated Authorised Dealer as to the disposal of the relevant cash. If the information regarding the Authorised Dealer is not given, the cash will be held in trust for the Distell Shareholder concerned pending the receipt of the necessary information or instruction.

TAXATION CONSIDERATIONS RELATING TO THE DISTELL SCHEME

The summary below is a general guide and is not intended to constitute a complete analysis of the taxation consequences of the Distell Scheme provisions in terms of South African taxation law. It is not intended to be, nor should it be considered as legal or taxation advice. This summary is therefore intended solely to draw the Distell Shareholders' attention to certain key aspects of the tax legislation that may be relevant to them pursuant to the Distell Scheme.

Distell and its advisers cannot be held responsible for the taxation consequences that the Distell Scheme may have on individual Distell Shareholders and therefore Distell Shareholders are advised to consult their own tax advisers if they are in any doubt about their tax position. They should also confirm how the general comments below apply to their specific personal circumstances and, in particular, ascertain whether there are any additional or exceptional tax consequences which could apply to them, taking into account that the summary below is only applicable to Distell Shareholders that are subject to South African tax legislation whose receipts and accruals are not otherwise exempt from income tax.

The Distell Scheme may constitute an 'asset-for-share transaction' between Distell Shareholders and DGHL. The disposal may be effected utilising the tax concessions provided for in section 42 of the Income Tax Act.

The concessions provided for in section 42 of the Income Tax Act are outlined below:

1. **EXCHANGE OF DISTELL SHARES BY DISTELL SHAREHOLDERS FOR DGHL ORDINARY SHARES**

Where the market value of the Distell Shares exceeds their base costs, on the basis that Distell Shareholders hold the Distell Shares as capital assets, the Distell Scheme should not attract CGT. Distell Shareholders will be deemed to have disposed of their Distell Shares for an amount equal to base cost, which base cost will be attributed to the DGHL Ordinary Shares acquired and be deemed expenditure actually incurred and paid by that shareholder in respect of their DGHL Ordinary Shares.

Distell Shareholders will be deemed to have acquired the DGHL Ordinary Shares on the date on which the Distell Shares were originally acquired.

2. **DISTELL SHARES HELD AS TRADING STOCK**

Where the market value of the Distell Shares exceeds the amount taken into account in terms of sections 11(a) or 22(1) or (2) of the Income Tax Act, on the basis that Distell Shareholders hold the Distell Shares as trading stock, the exchange should not attract income tax. Distell Shareholders will be deemed to have disposed of their Distell Shares for an amount taken into account in terms of sections 11(a) or 22(1) or (2), which original cost will be attributed to the DGHL Ordinary Shares acquired and be deemed cost or expenditure actually incurred and paid by that shareholder in respect of their DGHL Ordinary Shares.

Shareholders will be deemed to have acquired the DGHL Ordinary Shares on the date on which the Distell Shares were originally acquired.

3. **SECURITIES TRANSFER TAX**

The exchange of the Distell Shares for DGHL Ordinary Shares will be exempt from the payment of any STT.

4. **NON-RESIDENT SHAREHOLDERS**

Distell Shareholders who are Non-Resident for tax purposes in South Africa are advised to consult their own professional tax advisers regarding the tax treatment of the Distell Scheme in their respective jurisdictions, having regard to the tax laws in their jurisdiction and any applicable tax treaties between South Africa and their country of residence.

EXTRACT OF THE EXCHANGE CONTROL REGULATIONS

The following summary is provided for information purposes only. It is therefore not comprehensive and should not be construed as advice.

In terms of the South African Exchange Control Regulations, persons who are not resident in the Common Monetary Area (non-residents) may acquire or dispose of shares in companies that are resident in the common monetary area (residents), provided that:

- any shares so acquired must be endorsed as “non-resident” by an authorised dealer (in the case of certificated shares) or flagged as “non-resident” by a CSDP or a settlement agent (in the case of uncertificated shares); and
- the endorsement or non-resident flagging of shares (as the case may be) of any shares so disposed of must be cancelled.

It is further noted that, in terms of the Exchange Control Regulations:

- a former resident of the Common Monetary Area who has emigrated, may use funds in the emigrant capital account to subscribe for DGHL Ordinary Shares in terms of this Circular;
- all payments in respect of subscriptions for DGHL Ordinary Shares by an emigrant, using funds from an emigrant's capital account, must be made through the Authorised Dealer controlling the remaining assets;
- any DGHL Ordinary Shares issued pursuant to the use of funds from emigrant's capital account, will be credited to their share accounts at the central securities depository participant controlling their remaining portfolios;
- DGHL Ordinary Shares subsequently re-materialised and issued in certificated form, will be endorsed ‘Non-Resident’ and will be sent to the Authorised Dealer through whom the payment was made;
- if applicable, refund monies payable in respect of unsuccessful applications or partly successful applications, as the case may be, for shares in terms of this Circular, emanating from emigrant capital accounts, will be returned to the Authorised Dealer through whom the payments were made, for credit to such emigrants' capital accounts; and
- applicants' resident outside the Common Monetary Area should note that, where shares are subsequently re-materialised and issued in certificated form, such share certificates will be endorsed ‘Non-Resident’ in terms of the Exchange Control Regulations.

EXTRACTS OF SECTIONS 115 AND 164 OF THE COMPANIES ACT

“Section 115: Required approval for transactions contemplated in Part A

- (1) Despite section 65, and any provision of a company’s Memorandum of Incorporation, or any resolution adopted by its board or holders of its securities, to the contrary, a company may not dispose of, or give effect to an agreement or series of agreements to dispose of, all or the greater part of its assets or undertaking, implement an amalgamation or a merger, or implement a scheme of arrangement, unless:
 - (a) The disposal, amalgamation or merger, or scheme of arrangement:
 - (i) has been approved in terms of this section; or
 - (ii) is pursuant to or contemplated in an approved business rescue plan for that company, in terms of Chapter 6; and
 - (b) to the extent that Parts B and C of this Chapter and the Takeover Regulations apply to a company that proposes to:
 - (i) dispose of all or the greater part of its assets or undertaking;
 - (ii) amalgamate or merge with another company; or
 - (iii) implement a scheme of arrangement,

the Panel has issued a compliance certificate in respect of the transaction, in terms of section 119 (4)(b), or exempted the transaction in terms of section 119(6).
- (2) A proposed transaction contemplated in subsection (1) must be approved:
 - (a) by a special resolution adopted by persons entitled to exercise voting rights on such a matter, at a meeting called for that purpose and at which sufficient persons are present to exercise, in aggregate, at least 25% of all of the voting rights that are entitled to be exercised on that matter, or any higher percentage as may be required by the company’s Memorandum of Incorporation, as contemplated in section 64(2); and
 - (b) by a special resolution, also adopted in the manner required by paragraph (a), by the shareholders of the company’s holding company if any, if:
 - (i) the holding company is a company or an external company;
 - (ii) the proposed transaction concerns a disposal of all or the greater part of the assets or undertaking of the Subsidiary; and
 - (iii) having regard to the consolidated financial statements of the holding company, the disposal by the Subsidiary constitutes a disposal of all or the greater part of the assets or undertaking of the holding company; and
 - (c) by the court, to the extent required in the circumstances and manner contemplated in subsections (3) to (6).
- (3) Despite a resolution having been adopted as contemplated in subsections (2)(a) and (b), a company may not proceed to implement that resolution without the approval of a court if:
 - (a) the resolution was opposed by at least 15% of the voting rights that were exercised on that resolution and, within five business days after the vote, any person who voted against the resolution requires the company to seek court approval; or
 - (b) the court, on an application within 10 business days after the vote by any person who voted against the resolution, grants that person leave, in terms of subsection (6), to apply to a court for a review of the transaction in accordance with subsection (7).
- 4) For the purposes of subsections (2) and (3), any voting rights controlled by an acquiring party, a person related to an acquiring party, or a person acting in concert with either of them, must not be included in calculating the percentage of voting rights:
 - (a) required to be present, or actually present, in determining whether the applicable quorum requirements are satisfied; or
 - (b) required to be voted in support of a resolution, or actually voted in support of the resolution.

- (4A) In subsection (4), ‘act in concert’ has the meaning set out in section 117(1)(b).
- (5) If a resolution requires approval by a court as contemplated in terms of subsection (3)(a), the company must either:
- (a) within 10 business days after the vote, apply to the court for approval, and bear the costs of that application; or
 - (b) treat the resolution as a nullity.
- (6) On an application contemplated in subsection (3)(b), the court may grant leave only if it is satisfied that the applicant:
- (a) is acting in good faith;
 - (b) appears prepared and able to sustain the proceedings; and
 - (c) has alleged facts which, if proved, would support an order in terms of subsection (7).
- (7) On reviewing a resolution that is the subject of an application in terms of subsection (5)(a), or after granting leave in terms of subsection (6), the court may set aside the resolution only if:
- (a) the resolution is manifestly unfair to any class of holders of the company’s securities; or
 - (b) the vote was materially tainted by conflict of interest, inadequate disclosure, failure to comply with the Act, the Memorandum of Incorporation or any applicable rules of the company, or other significant and material procedural irregularity.
- (8) The holder of any voting rights in a company is entitled to seek relief in terms of section 164 if that person:
- (a) notified the company in advance of the intention to oppose a special resolution contemplated in this section; and
 - (b) was present at the meeting and voted against that special resolution.
- (9) If a transaction contemplated in this Part has been approved, any person to whom assets are, or an undertaking is, to be transferred, may apply to a court for an order to effect:
- (a) the transfer of the whole or any part of the undertaking, assets and liabilities of company contemplated in that transaction;
 - (b) the allotment and appropriation of any shares or similar interests to be allotted or appropriated as a consequence of the transaction;
 - (c) the transfer of shares from one person to another;
 - (d) the dissolution, without winding-up, of a company, as contemplated in the transaction;
 - (e) incidental, consequential and supplemental matters that are necessary for the effectiveness and completion of the transaction; or
 - (f) any other relief that may be necessary or appropriate to give effect to, and properly implement, the amalgamation or merger.”

“Section 164: Dissenting shareholders appraisal rights

- (1) This section does not apply in any circumstances relating to a transaction, agreement or offer pursuant to a business rescue plan that was approved by shareholders of a company, in terms of section 152.
- (2) If a company has given notice to shareholders of a meeting to consider adopting a resolution to:
- (a) amend its Memorandum of Incorporation by altering the preferences, rights, limitations or other terms of any class of its shares in any manner materially adverse to the rights or interests of holders of that class of shares, as contemplated in section 37(8); or
 - (b) enter into a transaction contemplated in section 112, 113 or 114, that notice must include a statement informing shareholders of their rights under this section.
- (3) At any time before a resolution referred to in subsection (2) is to be voted on, a dissenting shareholder may give the company a written notice objecting to the resolution.

- (4) Within 10 business days after a company has adopted a resolution contemplated in this section, the company must send a notice that the resolution has been adopted to each shareholder who:
 - (a) gave the company a written notice of objection in terms of subsection (3); and
 - (b) has neither:
 - (a) withdrawn that notice; or
 - (b) voted in support of the resolution.
- (5) A shareholder may demand that the company pay the shareholder the fair value for all of the shares of the company held by that person if:
 - (a) the shareholder:
 - (a) sent the company a notice of objection, subject to subsection (6); and
 - (b) in the case of an amendment to the company's Memorandum of Incorporation, holds shares of a class that is materially and adversely affected by the amendment;
 - (b) the company has adopted the resolution contemplated in subsection (2); and
 - (c) the shareholder:
 - (a) voted against that resolution; and
 - (b) has complied with all of the procedural requirements of this section.
- (6) The requirement of subsection (5)(a)(i) does not apply if the company failed to give notice of the meeting, or failed to include in that notice a statement of the shareholders rights under this section.
- (7) A shareholder who satisfies the requirements of subsection (5) may make a demand contemplated in that subsection by delivering a written notice to the company within:
 - (a) 20 business days after receiving a notice under subsection (4); or
 - (b) if the shareholder does not receive a notice under subsection (4), within 20 business days after learning that the resolution has been adopted.
- (8) A demand delivered in terms of subsections (5) to (7) must also be delivered to the Panel, and must state:
 - (a) the shareholder's name and address;
 - (b) the number and class of shares in respect of which the shareholder seeks payment; and
 - (c) a demand for payment of the fair value of those shares.
- (9) A shareholder who has sent a demand in terms of subsections (5) to (8) has no further rights in respect of those shares, other than to be paid their fair value, unless:
 - (a) the shareholder withdraws that demand before the company makes an offer under subsection (11), or allows an offer made by the company to lapse, as contemplated in subsection (12)(b);
 - (b) the company fails to make an offer in accordance with subsection (11) and the shareholder withdraws the demand; or
 - (c) the company, by a subsequent special resolution, revokes the adopted resolution that gave rise to the shareholder's rights under this section.
- (10) If any of the events contemplated in subsection (9) occur, all of the shareholder's rights in respect of the shares are reinstated without interruption.
- (11) Within five business days after the later of:
 - (a) the day on which the action approved by the resolution is effective;
 - (b) the last day for the receipt of demands in terms of subsection (7)(a); or
 - (c) the day the company received a demand as contemplated in subsection (7)(b), if applicable, the company must send to each shareholder who has sent such a demand a written offer to pay an amount considered by the company's directors to be the fair value of the relevant shares, subject to subsection (16), accompanied by a statement showing how that value was determined.
- (12) Every offer made under subsection (11):
 - (a) in respect of shares of the same class or series must be on the same terms; and
 - (b) lapses if it has not been accepted within 30 business days after it was made.

- (13) If a shareholder accepts an offer made under subsection (12):
- (a) the shareholder must either in the case of:
 - (a) shares evidenced by certificates, tender the relevant share certificates to the company or the company's transfer agent; or
 - (b) uncertificated shares, take the steps required in terms of section 53 to direct the transfer of those shares to the company or the company's transfer agent; and
 - (b) the company must pay that shareholder the agreed amount within 10 business days after the shareholder accepted the offer and:
 - (a) tendered the share certificates; or
 - (b) directed the transfer to the company of uncertificated shares.
- (14) A shareholder who has made a demand in terms of subsections (5) to (8) may apply to a court to determine a fair value in respect of the shares that were the subject of that demand, and an order requiring the company to pay the shareholder the fair value so determined, if the company has:
- (a) failed to make an offer under subsection (11); or
 - (b) made an offer that the shareholder considers to be inadequate, and that offer has not lapsed.
- (15) On an application to the court under subsection (14):
- (a) all dissenting shareholders who have not accepted an offer from the company as at the date of the application must be joined as parties and are bound by the decision of the court;
 - (b) the company must notify each affected dissenting shareholder of the date, place and consequences of the application and of their right to participate in the court proceedings; and
 - (c) the court:
 - (a) may determine whether any other person is a dissenting shareholder who should be joined as a party;
 - (b) must determine a fair value in respect of the shares of all dissenting shareholders, subject to subsection (16);
 - (c) in its discretion may:
 - (aa) appoint one or more appraisers to assist it in determining the fair value in respect of the shares; or
 - (bb) allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective, until the date of payment;
 - (d) may make an appropriate order of costs, having regard to any offer made by the company, and the final determination of the fair value by the court; and
 - (e) must make an order requiring:
 - (aa) the dissenting shareholders to either withdraw their respective demands or to comply with subsection (13)(a); and
 - (bb) the company to pay the fair value in respect of their shares to each dissenting shareholder who complies with subsection (13)(a), subject to any conditions the court considers necessary to ensure that the company fulfils its obligations under this section.
- 15A) At any time until the court has made an order contemplated in subsection (15)(c)(v), a dissenting shareholder may accept the offer made by the company in terms of subsection (11), in which case:
- (a) that shareholder must comply with the requirements of subsection 13(a); and
 - (b) the company must comply with the requirements of subsection 13(b).
- (16) The fair value in respect of any shares must be determined as at the date on which, and time immediately before, the company adopted the resolution that gave rise to a shareholder's rights under this section.

- (17) If there are reasonable grounds to believe that compliance by a company with subsection (13)(b), or with a court order in terms of subsection (15)(c)(v)(bb), would result in the company being unable to pay its debts as they fall due and payable for the ensuing 12 months:
- (a) the company may apply to a court for an order varying the company's obligations in terms of the relevant subsection; and
 - (b) the court may make an order that:
 - (i) is just and equitable, having regard to the financial circumstances of the company; and
 - (ii) ensures that the person to whom the company owes money in terms of this section is paid at the earliest possible date compatible with the company satisfying its other financial obligations as they fall due and payable.
- (18) If the resolution that gave rise to a shareholder's rights under this section authorised the company to amalgamate or merge with one or more other companies, such that the company whose shares are the subject of a demand in terms of this section has ceased to exist, the obligations of that company under this section are obligations of the successor to that company resulting from the amalgamation or merger.
- (19) For greater certainty, the making of a demand, tendering of shares and payment by a company to a shareholder in terms of this section do not constitute a distribution by the company, or an acquisition of its shares by the company within the meaning of section 48, and therefore are not subject to:
- (a) the provisions of that section; or
 - (b) the application by the company of the solvency and liquidity test set out in section 4.
- (20) Except to the extent:
- (a) expressly provided in this section; or
 - (b) that the Panel rules otherwise in a particular case,
- a payment by a company to a shareholder in terms of this section does not obligate any person to make a comparable offer under section 125 to any other person."

TABLUAR SUMMARY OF THE B SHARE TERMS

Key B Share terms

Key Term	B Share terms
Class of Shares	<ul style="list-style-type: none"> • Unlisted, non-convertible, no par value shares • Voting rights but no economic participation (save as detailed below) • Issued at a nominal value of R0.00001 per B Share • B Shares will be linked to the Linked Ordinary Shares (collectively, for purposes of this Annexure, “B/Linked Ordinary Shares”) immediately after implementation of the Remgro Exchange and cannot be traded separately from each other • To be issued in a pre-determined ratio of B Shares to DGHL Ordinary Shares, namely the B Share Ratio, which is 2.117 B Shares for every 1 Linked Ordinary Share
Voting Rights	<ul style="list-style-type: none"> • B Shares will provide additional voting rights to ensure that the Remgro Group retains the same level of voting control in DGHL after the implementation of the Transaction as the Remgro Group will enjoy after the implementation of the RCI Exchange, namely 52.8% of the total voting rights in Distell
Economic Rights	<ul style="list-style-type: none"> • The B Shares will not have any economic rights, save and except for the right (i) upon a repurchase, to be repaid their issue price; and (ii) upon a winding up of DGHL, to be repaid their issue price in priority to any liquidation payment or distribution to the DGHL Ordinary Shareholders <ul style="list-style-type: none"> – Not entitled to participate in any profits of DGHL – Not entitled to any dividends from DGHL
Administering B Shares	<ul style="list-style-type: none"> • Disposal or transfer of B/Linked Ordinary Shares held by a B Shareholder must be as follows: <ul style="list-style-type: none"> – Linked Ordinary Shares (linked to B Shares): can be on- or off-market, but if effected on-market, the voting rights attaching to the B Shares linked to such Linked Ordinary Shares will immediately cease, and DGHL will be entitled to repurchase such B Shares, plus – B Shares (linked to Linked Ordinary Shares): must be off-market • In order to ensure the “linked” nature of the B/Linked Ordinary Shares, the DGHL company secretary must be informed of any proposed disposal of B/Linked Ordinary Shares prior to such disposal. A failure to notify the company secretary as aforesaid will result in the voting rights attaching to the relevant B Shares linked to the Linked Ordinary Shares being ‘cancelled’ through a cessation of the voting rights and DGHL will be entitled to repurchase the relevant B Shares
Adjustments	<ul style="list-style-type: none"> • Should there be a corporate event or an alteration of the share capital of DGHL, which increases or decreases the number of DGHL Ordinary Shares in issue, then in certain circumstances the number of B Shares held by such B Shareholder shall be increased or decreased, as the case may be, to maintain the proportionate Total Voting Rights exercisable by such B Shareholder before and after implementation of the relevant corporate event or alteration of share capital

Effective voting threshold/procedural issue	Disposal term	Effect	Rationale for the term
Procedural	The DGHL company secretary must be informed of any proposed disposal of B/Linked Ordinary Shares prior to such disposal. The voting rights attaching to the B Shares linked to those Linked Ordinary Shares will be cancelled through a cessation of the voting rights and DGHL will be entitled to repurchase the relevant B Shares if the company secretary is not given prior notice of a disposal.	If the company secretary is not informed prior to a disposal of the B/Linked Ordinary Shares, the voting rights attaching to the B Shares linked to those Linked Ordinary Shares will be cancelled through a cessation of the voting rights and DGHL will be entitled to repurchase the relevant B Shares.	As the B Shares are unlisted, the transfer and holding thereof (to ensure the “linked” nature of the B Shares to the Linked Ordinary Shares) will be managed by the company secretary. The company secretary will only be able to record who the holders of B Shares (linked to Linked Ordinary Shares) are if information on the disposal of such shares is provided to the company secretary prior to such a disposal.
	The trading of Linked Ordinary Shares (linked to B Shares) can take place “off-market” (i.e. in materialised form, or in Dematerialized form not via the JSE’s normal order book) or “on-market” (i.e. in Dematerialized form via the JSE’s normal order book). However, if a disposal of Linked Ordinary Shares which are linked to B Shares is performed “on-market” by a B Shareholder, the voting rights attaching to the B Shares linked to those Linked Ordinary Shares will be cancelled through a cessation of the voting rights and DGHL will be entitled to repurchase the relevant B Shares.	The voting rights attaching to B Shares linked to Linked Ordinary Shares, which are disposed of “on-market”, will be cancelled through a cessation of the voting rights and DGHL will be entitled to repurchase the relevant B Shares.	In an “on-market” transaction of Linked Ordinary Shares, it will not be possible to identify the purchaser. As such, the company secretary will not be able to record the concomitant transfer of the B Shares (linked to those Linked Ordinary Shares) appropriately. To ensure a proper recording of B Shareholders, the voting rights attaching to the B Shares will be cancelled through a cessation of the voting rights and DGHL will be entitled to repurchase the relevant B Shares in any “on-market” transaction of Linked Ordinary Shares, or any “off-market disposal of Linked Ordinary Shares without a disposal of the B Shares linked to such Linked Ordinary Shares.

Effective voting threshold/procedural issue	Disposal term	Effect	Rationale for the term
< 25%	<p>In a disposal of B/Linked Ordinary Shares by a B Shareholder, where the combined voting rights of all other shares in DGHL, plus the B/Linked Ordinary Shares acquired by a purchaser (together with its concert parties and related parties), are not more than an effective aggregated 25% of the Total Voting Rights after implementing such disposal, the voting rights attaching to the B Shares thus acquired will be cancelled through the cessation of the voting rights and DGHL will be entitled to repurchase the relevant B Shares.</p> <p>Similarly, if the combined voting rights of all other shares in DGHL, plus the B/Linked Ordinary Shares still held by the selling B Shareholder (together with such B Shareholder's concert parties and related parties), are not more than an effective aggregated 25% of the Total Voting Rights after implementing such disposal, the voting rights attaching to the B Shares held by the seller will be cancelled through a cessation of the voting rights and DGHL will be entitled to repurchase the relevant B Shares.</p>	<p>The voting rights attaching to the B Shares linked to the Linked Ordinary Shares are cancelled in the hands of a B Shareholder that does not hold more than 25% of the Total Voting Rights (taken together with such B Shareholder's concert parties and related parties) and DGHL will be entitled to repurchase the relevant B Shares.</p>	<p>Ordinarily any single shareholder and its concert parties and related parties would lose so-called "negative" control below 25% shareholding. The cessation of the voting rights of the B Shares held by a B Shareholder who, together with its concert parties and related parties, falls below this threshold is intended to simulate this loss of "negative" control.</p> <p>Further, this also ensures that when a B Shareholder disposes of B/Linked Ordinary Shares in very small numbers at a time, the voting rights attaching to the B Shares in those circumstances are cancelled, as it will not be possible to administer the B/Linked Ordinary Shares and their holders if too many different parties are able to hold these B/Linked Ordinary Shares.</p>
	<p>If at any point in time there is not a single B Shareholder who, together with its concert parties and related parties, holds more than an effective aggregate 25% of the Total Voting Rights, then the voting rights attaching to all the B Shares will be cancelled through a cessation of the voting rights and DGHL will be entitled to repurchase the relevant B Shares.</p>	<p>The voting rights attaching to all B Shares are cancelled through a cessation of the voting rights and DGHL will be entitled to repurchase all the B Shares, if there are no more B Shareholders who, together with their concert parties and related parties, hold more than 25% of the Total Voting Rights.</p>	<p>B Shares provide voting rights to the Remgro Group similar to the effective voting status which will be in place in relation to Distell following the RCI Exchange. If at any time no B Shareholder (together with its concert parties and related parties) holds more than 25% of the Total Voting Rights, the B Shares should not operate further to reflect the aforesaid voting status.</p>

Effective voting threshold/procedural issue	Disposal term	Effect	Rationale for the term
≥ 25%	<p>If a purchaser acquires B/Linked Ordinary Shares from a B Shareholder and, post such acquisition, holds more than 25% of the effective aggregated Total Voting Rights (taken together with such purchasing B Shareholder's concert parties and related parties, and including the B/Linked Ordinary Shares acquired and existing DGHL Ordinary Shares previously held), and</p> <p>the selling B shareholder (taken together with such selling B Shareholder's concert parties and related parties) also continues to hold an effective aggregated Total Voting Rights of more than 25%, then the purchaser of the B/Linked Ordinary Shares will have the choice to elect either to (i) make an offer to all other DGHL Ordinary Shareholders to acquire their DGHL Ordinary Shares at the same price paid for the B/Linked Ordinary Shares; or (ii) to have the voting rights attaching to the B Shares linked to the Linked Ordinary Shares thus acquired cancelled through a cessation of the voting rights and DGHL will be entitled to repurchase the relevant B Shares ("25% Election Term").</p> <p>Should an offer to minorities be made in accordance with the 25% Election Term, the full consideration payable to B Shareholders in terms of the transaction which triggers the offer shall be attributed to the Linked Ordinary Shares and no value shall be attributed to the B Shares.</p>	<p>The purchaser of B/Linked Ordinary Shares can elect either:</p> <p>to make the same offer to all other DGHL Ordinary Shareholders at the same price it paid for the B/Linked Ordinary Shares; or</p> <p>if the purchaser does not wish to make such an offer, to have the voting rights attaching to its B Shares in respect of the B/Linked Ordinary Shares cancelled through a cessation of the voting rights and DGHL will be entitled to repurchase the relevant B Shares, and thus hold only DGHL Ordinary Shares.</p>	<p>The 25% Election Term is meant to counteract a "synthetic double 25%" voting position where, after a disposal of B/Linked Ordinary Shares, there are 2 B Shareholders holding more than an effective 25% of the Total Voting Rights by virtue of the fact that the B Shares have voting rights.</p> <p>As such, the purpose is to give an election to the purchaser to decide if retaining the B Shares, with their accompanying effective 25% voting rights (notwithstanding that the purchaser may have acquired less than 25% of DGHL's shares), is sufficiently important to the purchaser that he is willing to pay a premium, which premium is then paid to minority DGHL Ordinary Shareholders to prevent minority shareholders from being disadvantaged.</p> <p>The purpose of the provision ascribing the full value of an offer to minorities to the Linked Ordinary Shares per the 25% Election Term is to ensure that minority DGHL Ordinary Shareholders enjoy the full benefit of the offer (despite not owning any B Shares).</p>

Effective voting threshold/procedural issue	Disposal term	Effect	Rationale for the term
≥ 35%	<p>Should an offer to minorities be made, the full consideration payable to the B Shareholders in terms of the transaction which triggers the offer shall be attributed to the Linked Ordinary Shares and no value shall be attributed to the B Shares.</p> <p>No further specific terms are applicable.</p>	<p>Where B/Linked Ordinary Shares are transferred that constitute 35% or more of the voting rights in DGHL, the usual TRP rules apply regarding the obligation to make a Mandatory Offer to all DGHL Ordinary Shareholders.</p>	<p>The standard TRP rules require a Mandatory Offer to be made in any transaction where more than 35% of the voting rights in a company are acquired.</p> <p>Provided the thresholds above are met, the B Shares will be transferred and not cancelled.</p> <p>Again, the purpose of the term ascribing the full value of an offer to minorities to the linked Ordinary Shares is to ensure that minority DGHL Ordinary Shareholders enjoy the full benefit of the offer (despite not owning any B Shares).</p>

MANAGEMENT OF CONFLICT AND MAINTENANCE OF INDEPENDENCE

In compliance with the Companies Act and the Takeover Regulations, the Independent Board was established for the purposes of considering and dealing with the Transaction and the Distell Scheme. The Independent Board, being cognisant of actual and potential conflicts between the position of Remgro in relation to the Transaction, including the Distell Scheme and the position of Distell Minorities, has taken care to ensure that its independence was and will remain in place for the duration of the Transaction, including the Distell Scheme.

In particular:

- the Independent Board independently evaluated the Transaction without the presence of Remgro, their directors and their advisers; and
- the Independent Board appointed independent advisers to those appointed by Remgro.

Remgro, who were likewise seized with the actual and potential conflicts flowing from their position in relation to the Transaction, including the Distell Scheme, will not vote their Capevin shares at the Capevin Scheme and RCI will not vote their Distell Shares at the Distell Scheme.

The Distell Independent Board in relation to the Transaction comprised of:

- AC Parker (chair)
- GP Dingaan
- DP du Plessis
- LM Mojela
- MJ Madungandaba
- PE Beyers
- CE Sevillano-Barredo
- BJ van der Ross

**ILLUSTRATIVE DILUTIVE EFFECT ON VOTES NOTIONALLY EXERCISABLE
BY DISTELL SHAREHOLDERS IN DGHL**

Effective voting interest of Distell Shareholders pre-Transaction

RCI (50% Remgro/50% Capevin)	52.8%
PIC	28.0%
Distell minorities (excluding PIC)	19.2%

Effective voting interest after the Distell Scheme is implemented, including issue and allotment of the B Shares to Remgro

Remgro Beverage (Linked shares only)	52.8%
Remgro Beverages (unlinked shares)	3.2%
PIC (as a result of Capevin and Distell holdings)	20.1%
Coronation (as a result of Capevin and Distell holdings)	5.9%
Distell minorities (excluding PIC)	10.2%
Capevin minorities (excluding PIC and Coronation)	7.8%



Distell Group Limited

(Incorporated in the Republic of South Africa)

(Registration Number: 1988/005808/06)

JSE Code: DST ISIN: ZAE000028668

("Distell" or "the Company")

Distell Directors

Executive

Richard Rushton

Lucas Verwey

Non-executive

Jannie Durand

Pieter Louw (alternate)

Ethel Matenge-Sebesho

Chris Otto

Independent Non-executive

Piet Beyers

Gugu Dingaan (alternate)

Dr Prieur du Plessis

Joe Madungandaba

Louisa Mojela

André Parker

Catharina Sevillano-Barredo

Ben van der Ross

NOTICE OF SCHEME MEETING

If you are in any doubt as to what action you should take in respect of the Distell Scheme Meeting and/or the following resolutions, please consult your CSDP, Broker, banker, legal adviser, accountant or other professional adviser immediately.

Notice is hereby given that a meeting of the Distell Shareholders will be held at Van Ryn's Distillery & Brandy Cellar, Van Ryn Road, Vlottenburg, Stellenbosch, at 12h00 on Friday, 27 October 2017 ("**Distell Scheme Meeting**") for the purpose of considering and, if deemed fit, passing with or without modification, the resolutions set out below.

Important dates and times to note

Record date for receipt of notice of the Distell Scheme Meeting Friday, 15 September 2017

Last day to trade in order to be eligible to attend and to vote at the Distell Scheme Meeting Tuesday, 17 October 2017

Record date for Distell Shareholders to be recorded in the Register in order to be eligible to attend and vote at the Distell Scheme Meeting ("**Voting Record Date**") Friday, 20 October 2017

For administrative purposes, date by which forms of proxy for the Distell Scheme Meeting are to be lodged, by 12h00 Wednesday, 25 October 2017

Date of Distell Scheme Meeting (12h00) Friday, 27 October 2017

Results of Distell Scheme Meeting released on SENS Friday, 27 October 2017

Where appropriate and applicable, the terms defined in the Circular, dated 20 September 2017, to which this Notice of the Distell Scheme Meeting is attached and forms part of ("Distell Circular"), bear the same meanings in this notice of the Distell Scheme Meeting, and in particular in the resolutions set out below.

In terms of section 62(3)(e) of the Companies Act:

- A Distell Shareholder who is entitled to attend and vote at the Distell Scheme Meeting is entitled to appoint a proxy, or 2 or more proxies, to attend and participate in and vote at the Distell Scheme Meeting in the place of the Distell Shareholder, by completing the form of proxy in accordance with the instructions set out herein, and Distell Shareholders are referred to the attached form of proxy (*blue*) in this regard.
- A proxy need not be a Distell Shareholder.
- Distell Shareholders recorded in the Register of the Company on the Voting Record Date, and their proxies, are required to provide reasonably satisfactory identification, to the satisfaction of the Chairman of the Distell Scheme Meeting, before being entitled to attend or participate in the Distell Scheme Meeting. Forms of identification include valid identity documents or smart cards, driver's licences and passports.

SPECIAL RESOLUTION NUMBER 1: APPROVAL OF THE DISTELL SCHEME

“**RESOLVED THAT**, subject to the Distell Scheme becoming unconditional (save for any condition relating to this resolution being passed), the Distell Scheme (more fully described in the Distell Circular), proposed by Distell between Distell and the Distell Minorities, be and is hereby approved in terms of section 115(2)(a) of the Companies Act.”

Voting requirement

The percentage of voting rights that will be required in terms of the Companies Act for this Special Resolution Number 1 to be adopted is at least 75% of the voting rights exercised on the resolution.

Neither RCI nor any holders of Treasury Shares will be entitled to vote on Special Resolution Number 1.

Explanatory Note

In terms of section 115(1) and 115(2) of the Companies Act, a company may only implement a Scheme of Arrangement in terms of section 114 of the Companies Act if the Scheme of Arrangement is approved by special resolution adopted by persons entitled to vote on such a matter, at a meeting called for that purpose and at which sufficient persons are present to exercise, in aggregate, at least 25% of all voting rights that are entitled to be exercised on the special resolution.

The reason for special resolution number 1 is to obtain the approval of Distell Shareholders, in terms of section 114 read with section 115 of the Companies Act, for the Distell Scheme.

SPECIAL RESOLUTION NUMBER 2 – REVOCATION OF SPECIAL RESOLUTION NUMBER 1 IF THE DISTELL SCHEME DOES NOT BECOME UNCONDITIONAL OR IS NOT CONTINUED

“**RESOLVED THAT**, subject to and in the event of –

- (i) Special Resolution Number 1 being approved by the Distell Shareholders; and
- (ii) the Distell Scheme not becoming unconditional for whatever reason;

Special Resolution Number 1 is revoked with effect from the date of the announcement by Distell that the Distell Scheme will not be continued or pursued any further, as contemplated in section 164(9)(c) of the Companies Act.”

Voting requirement

The percentage of voting rights that will be required for this Special Resolution Number 2 to be adopted is at least 75% of the voting rights exercised on the resolution.

Neither RCI nor any holders of Treasury Shares will be entitled to vote on Special Resolution Number 2.

Explanatory Note

The reason for and effect of Special Resolution Number 2 is to ensure that the Distell Scheme will terminate and not be implemented, notwithstanding the approval of Special Resolution Number 1, if the Distell Scheme does not become unconditional for whatever reason and, further, to ensure that, in such circumstances and in compliance with section 164(9)(c) of the Companies Act, Distell is not obliged to pay any Dissenting Distell Shareholder the fair value of their Distell Shares.

ORDINARY RESOLUTION NUMBER 1 – WAIVER BY DISTELL MINORITIES OF THE MANDATORY OFFER REQUIREMENT IN TERMS OF REGULATION 86(4) OF THE REGULATIONS TO THE COMPANIES ACT

“**RESOLVED THAT** the Distell Minorities hereby irrevocably waive the benefits of a Mandatory Offer by Remgro International arising from the implementation of the RCI Exchange (as fully set out in the Distell Circular).”

Voting requirement

The percentage of voting rights that will be required for this Ordinary Resolution Number 1 to be adopted is more than 50% of the voting rights exercised on the resolution.

Neither RCI nor any holders of Treasury Shares will be entitled to vote on Ordinary Resolution Number 1.

ORDINARY RESOLUTION NUMBER 2 – AUTHORISATION OF MEMBERS OF THE DISTELL INDEPENDENT BOARD

“**RESOLVED THAT** any of the members of the Distell Independent Board be and are hereby authorised to do all things and sign all documents required to give effect to and implement Special Resolution Number 1, Special Resolution Number 2, and Ordinary Resolution Number 1 set out above.”

Voting requirement

The percentage of voting rights that will be required for this Ordinary Resolution Number 2 to be adopted is more than 50% of the voting rights exercised on the resolution.

Neither RCI nor the holders of Treasury Shares will be entitled to vote on Ordinary Resolution Number 2.

QUORUM AND RECORD DATE

A quorum for the purposes of considering the resolutions above shall consist of 3 Distell Shareholders personally present (or represented by proxy) and entitled to vote at the Distell Scheme Meeting. In addition, a quorum shall comprise at least 25% of all voting rights entitled to be exercised by Distell Shareholders in respect of the resolutions above.

The time and date on which Distell Shareholders must be recorded as such in the Register maintained by the Transfer Secretaries, Computershare Investor Services Proprietary Limited (15 Biermann Avenue, Rosebank, Johannesburg, 2196, Republic of South Africa (PO Box 61051, Marshalltown, 2107) for the purposes of being entitled to attend, participate in and vote at the Distell Scheme Meeting is 17h00 on Friday, 20 October 2017. Accordingly, the last day to trade Distell Shares in order to be recorded in the Register of Distell Shareholders to vote at the Distell Scheme Meeting will be Tuesday, 17 October 2017.

VOTING AND PROXIES

A Distell Shareholder entitled to attend and vote at the Distell Scheme Meeting is entitled to appoint 1 or more proxies (who need not be a shareholder of the Company) to attend, vote and speak in his/her stead.

On a show of hands, every Distell Shareholder present in person or represented by proxy shall have 1 vote only. On a poll, every Distell Shareholder present in person or represented by proxy shall have 1 vote for every share held in the Company by such Distell Shareholder.

A form of proxy (*blue*) is attached for the convenience of any Distell Shareholder holding Certificated Distell Shares or Dematerialised Distell Shareholders who have elected “own-name” registration, who cannot attend the Distell Scheme Meeting but who wish to be represented thereat. Forms of proxy may also be obtained on request from the Company’s registered office. The completed form of proxy (*blue*) must, for administrative purposes, be deposited at or posted to the office of the Transfer Secretaries, Computershare Investor Services Proprietary Limited (15 Biermann Avenue, Rosebank, Johannesburg, 2196, Republic of South Africa (PO Box 61051, Marshalltown, 2107) or the registered office of the Company, to be received by no later than 12h00 on Wednesday, 25 October 2017. Alternatively, the form of proxy may be handed to the Chairperson of the Distell Scheme Meeting before the Distell Scheme Meeting commences at 12h00 on Friday, 27 October 2017. Any Distell Shareholder who completes and lodges a form of proxy (*blue*) will nevertheless be entitled to attend and vote in person at the Distell Scheme Meeting should the Distell Shareholder subsequently decide to do so.

Attached to the form of proxy is an extract of Section 58 of the Companies Act, to which Distell Shareholders are referred.

All beneficial owners whose shares have been Dematerialised through a CSDP or Broker other than with “own-name” registration, must provide the CSDP or Broker with their voting instructions in terms of their custody agreement should they wish to vote at the Distell Scheme Meeting. Alternatively, they may request the CSDP or Broker to provide them with a letter or representation, in terms of their custody agreements, should they wish to attend the Distell Scheme Meeting. Such Distell Shareholders must not complete the attached form of proxy (*blue*).

ELECTRONIC PARTICIPATION

Distell Shareholders or their proxies may participate in (but not vote at) the Distell Scheme Meeting by way of electronic communication and, if they wish to do so:

- must contact the Company (by email at the address hcmalan@distell.co.za or telephone at +27 21 809 8104), by no later than 12h00 on Wednesday, 25 October 2017 in order to obtain a pin number and dial-in details for that conference call;
- will be required to provide reasonably satisfactory identification; and
- will be billed separately by their own telephone service providers for their telephone call to participate in the Distell Scheme Meeting;

provided that Distell Shareholders and their proxies will not be able to vote telephonically (or by any other form of electronic voting) at the Distell Scheme Meeting and will still need to appoint a proxy to vote on their behalf at the Distell Scheme Meeting.

DISTELL SHAREHOLDER APPRAISAL RIGHTS

In accordance with section 164, read with section 115, of the Companies Act, at any time before Special Resolution 1 as set out in this notice convening the Distell Scheme Meeting is voted on, a Distell Shareholder may give the Company a written notice objecting to the special resolution.

Within 10 Business Days after Distell has adopted Special Resolution 1, Distell must send a notice that the special resolution has been adopted to each Distell Shareholder who:

- gave Distell a written notice of objection as contemplated above; and
- has neither withdrawn that notice nor voted in support of the special resolution.

A Distell Shareholder may demand that Distell pay the Distell Shareholder the fair value for all of the Distell Shares held by that person if:

- the Distell Shareholder has sent Distell a written notice of objection;
- Distell has adopted Special Resolution 1; and
- the Distell Shareholder voted against Special Resolution 1 and has complied with all of the procedural requirements of section 164 of the Companies Act.

A copy of sections 115 and 164 of the Companies Act is set out in Annexure 5 to the Distell Circular. Further detail regarding the process and consequences of a Distell Shareholder exercising its Distell Shareholder Appraisal Rights are set out in paragraph 18 of the Distell Circular.

By order of the Board

Distell Group Limited

Registered office

Distell Group Limited
(Registration number: 1988/005808/06)
Aan-de-Wagenweg
Stellenbosch, 7600
(PO Box 184, Stellenbosch, 7599)

Transfer secretaries to Distell

Computershare Investor Services Proprietary Limited
(Registration number 2004/003647/07)
Rosebank Towers
15 Biermann Avenue, Rosebank,
Johannesburg, 2196
(PO Box 61051, Marshalltown, 2107)
Telephone: +27 11 370 5000
Facsimile: +27 11 688 5210



Distell Group Limited

(Incorporated in the Republic of South Africa)

(Registration Number: 1988/005808/06)

JSE Code: DST ISIN: ZAE000028668

("Distell" or "the Company")

FORM OF PROXY

Where appropriate and applicable, the terms defined in the Circular to which this form of proxy is attached and forms part of bear the same meanings in this form of proxy.

For use by Distell Shareholders holding Certificated Distell Shares and/or Dematerialised Distell Shareholders who have elected "own-name" registration, nominee companies of CSDPs and Brokers' nominee companies, registered as such at the close of business on Friday, 20 October 2017 (the "**Voting Record Date**"), at the Distell Scheme Meeting to be held at Van Ryn's Distillery & Brandy Cellar, Van Ryn Road, Vlottenburg, Stellenbosch, at 12h00 on Friday, 27 October 2017 (the "**Distell Scheme Meeting**") or any postponement or adjournment thereof.

If you are a Dematerialised Distell Shareholder, other than with "own-name" registration, do not use this form. Dematerialised Distell Shareholders, other than with "own-name" registration, should provide instructions to their appointed CSDP or Broker in the form as stipulated in the agreement entered into between the shareholder and the CSDP or Broker.

Companies and other corporate bodies who are Distell Shareholders having Distell Shares registered in their own names may, instead of completing this form of proxy, appoint a duly authorised representative to represent them and exercise all of their rights at the Distell Scheme Meeting by giving written notice to Distell of the appointment of that representative.

Each Distell Shareholder is entitled to appoint 1 or more proxies (who need not be shareholders of the Company) to attend, speak and vote in place of that Distell Shareholder at the Distell Scheme Meeting.

Please read the notes on the reverse hereof carefully, which, amongst other things, set out the rights of Distell Shareholders in terms of section 58 of the Companies Act with regard to the appointment of proxies.

I/We (FULL NAME IN BLOCK LETTERS PLEASE)

of (ADDRESS)

Telephone number

cell phone number

Email address

being the holder/s of Distell Shares hereby appoint:

1. _____ or failing him/her,

2. _____ or failing him/her,

3. the Chairman of the Distell Scheme Meeting,

as my/our proxy to attend and speak and to vote for me/us and on my/our behalf at the Distell Scheme Meeting and at any adjournment or postponement thereof, for the purpose of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed at the Distell Scheme Meeting, and to vote on the resolutions in respect of the Distell Shares registered in my/our name(s), in the following manner (see note 1):

Shares	Number of votes (Shares)		
	*For	*Against	*Abstain
Special resolution number 1 – Approval of the Distell Scheme			
Special resolution 2 – Revocation of Special Resolution Number 1 if the Distell Scheme does not become unconditional and is not continued			
Ordinary resolution number 1 – Waiver by Distell Minorities of the Mandatory Offer in terms of regulation 86(4) of the Companies Regulations			
Ordinary resolution number 2 – Directors' authority			

* 1 vote per share held by Distell Shareholders recorded in the Register on the Voting Record Date.

* Mark "for", "against" or "abstain" as required. If no options are marked, the proxy will be entitled to vote as he/she thinks fit.

* However, if you wish to cast your votes in respect of a lesser number of Distell Shares than you own in the Company, insert the number of Distell Shares held in respect of which you desire to vote.

Unless otherwise instructed, my/our proxy may vote or abstain from voting as he/she thinks fit.

Signed this

day of

2017

Signature

Assisted by me (where applicable)

(State capacity and full name)

A Distell Shareholder entitled to attend and vote at the Distell Scheme Meeting is entitled to appoint a proxy to attend, vote and speak in his/her stead. A proxy need not be a shareholder of the Company. Each Distell Shareholder is entitled to appoint 1 or more proxies to attend, speak and vote in place of that Distell Shareholder at the Distell Scheme Meeting.

Please read the notes on the reverse side hereof.

Notes:

1. This form of proxy is only to be completed by those Distell Shareholders who:
 - (a) hold Distell Shares in certificated form; or
 - (b) are recorded in the sub-register in electronic form in their "own name", on the date on which Distell Shareholders must be recorded as such in the Register (Voting Record Date) maintained by the Transfer Secretaries, Computershare Investor Services Proprietary Limited, Ground Floor, 15 Biermann Avenue, Rosebank, Johannesburg, 2196, Republic of South Africa, or at the registered office of the Company, in order to vote at the Distell Scheme Meeting being held on Friday, 27 October 2017, and who wish to appoint another person to represent them at the Distell Scheme Meeting.
2. This form of proxy will apply to all the Distell Shares registered in the name of the Distell Shareholder who signs this form of proxy on the Voting Record Date (and all the votes associated with those shares) unless a lesser number of shares is inserted.
3. Certificated Distell Shareholders wishing to attend the Distell Scheme Meeting must, before the meeting, verify with the Transfer Secretaries (being Computershare Investor Services Proprietary Limited) that their Distell Shares are registered in their name.
4. Beneficial Shareholders whose Distell Shares are not registered in their "own-name", but in the name of another, for example, a nominee, may not complete a form of proxy, unless a form of proxy is issued to them by a registered Distell Shareholder and they should contact the registered Distell Shareholder for assistance in issuing instructions on voting their Distell Shares, or obtaining a proxy to attend, speak and vote at the Distell Scheme Meeting.
5. A Distell Shareholder may insert the name of a proxy or the names of 2 or more alternative proxies of the Distell Shareholder's choice in the space provided, with or without deleting "the Chairman of the Distell Scheme Meeting". The person whose name stands first on this form of proxy and who is present at the Distell Scheme Meeting will be entitled to act as proxy to the exclusion of those whose names follow.
6. The proxy appointed in this form of proxy may delegate the authority given to him or her in this form of proxy by delivering to Distell, in the manner required by these instructions, a further form of proxy which has been completed in a manner consistent with the authority given to the proxy in this form of proxy.
7. Unless revoked in the manner contemplated in note 10 below, the appointment of proxy in terms of this form of proxy shall remain valid until the end of the Distell Scheme Meeting, even if the Distell Scheme Meeting or a part thereof is postponed or adjourned. This form of proxy shall not be used at the resumption of the Distell Scheme Meeting (if adjourned), if it could not have been used at the Distell Scheme Meeting from which the adjournment took place for any reason other than that it was not lodged timeously for the Distell Scheme Meeting from which the adjournment took place.
8. A Distell Shareholder's instructions to the proxy must be indicated by means of a tick or a cross in the appropriate box provided. However, if a Distell Shareholder wishes to cast his or her votes in respect of a lesser number of Distell Shares than he or she owns in the Company, the number of Distell Shares in respect of which he or she desires to vote should be inserted in the space provided. If: (i) a Distell Shareholder fails to comply with the above; or (ii) gives contrary instructions in relation to any matter or any additional resolution(s) which are properly put before the meeting; or (iii) the resolution listed in the form of proxy is modified or amended, the Distell Shareholder will be deemed to authorise the Chairman of the Distell Scheme Meeting, if the Chairman is the authorised proxy, to vote in favour of the resolutions at the Distell Scheme Meeting, or any other proxy to vote or to abstain from voting at the Distell Scheme Meeting as he/she deems fit, in respect of all the Distell Shareholder's votes exercisable thereat. If, however, the Distell Shareholder has provided further written instructions which accompany this form of proxy and which indicate how the proxy should vote or abstain from voting in any of the circumstances referred to in (i) to (iii) above, then the proxy shall comply with those instructions.
9. The completion and lodgement of this form of proxy will not preclude the relevant Distell Shareholder from attending the Distell Scheme Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such Distell Shareholder wish to do so. Accordingly, the appointment of a proxy in terms hereof is suspended at any time and to the extent that the Distell Shareholder chooses to act directly and in person in the exercise of any rights as a Distell Shareholder. In addition to the foregoing, a shareholder may revoke the proxy appointment by (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and (ii) delivering a copy of the revocation instrument to the proxy, and to the Company. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the Distell Shareholder as at the later of the date stated in the revocation instrument, if any, and the date on which the revocation instrument was delivered in the required manner.
10. The Chairman of the Distell Scheme Meeting may reject or accept any form of proxy which is completed and/or received other than in compliance with these notes provided that, in respect of acceptances, he is satisfied as to the manner in which the Distell Shareholder(s) concerned wish(es) to vote.
11. Any alteration to this form of proxy, other than a deletion of alternatives, must be initialled by the signatory/ies.
12. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy, unless such authority has previously been recorded by the Company or the Transfer Secretaries, Computershare Investor Services Proprietary Limited or is waived by the Chairman of the Distell Scheme Meeting.
13. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Transfer Secretaries, Computershare Investor Services Proprietary Limited, or the Company.
14. Where there are joint holders of Distell Shares:
 - 14.1 any one holder may sign this form of proxy; and
 - 14.2 the vote of the senior who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint holder(s) of Distell Shares. For this purpose, seniority will be determined by the order in which the names of such Distell Shareholders appear in the Register.
15. If duly authorised, companies and other corporate bodies who are Distell Shareholders having Distell Shares registered in their own name may, instead of completing this form of proxy, appoint a representative to represent them and exercise all of their rights at the Distell Scheme Meeting by giving written notice of the appointment of that representative. This notice will not be effective at the Distell Scheme Meeting unless it is accompanied by a duly certified copy of the resolution or other authority in

terms of which that representative is appointed and is received at Computershare Investor Services Proprietary Limited, 15 Biermann Avenue, Rosebank, Johannesburg, 2196, Republic of South Africa or at the registered office of the Company, to reach the Company by no later than 12h00 on Wednesday, 25 October 2017.

16. This form of proxy may be used at any adjournment or postponement of the Distell Scheme Meeting, including any postponement due to a lack of quorum, unless withdrawn by the Distell Shareholder.
17. Forms of proxy must, for administrative purposes, be lodged with or mailed to the Transfer Secretaries – to be received by no later than 12h00 on Wednesday, 25 October 2017 (or 48 hours (on Business Days only) before the resumption of an adjourned Distell Scheme Meeting which date, if necessary, will be released on SENS). Alternatively, this form of proxy may be handed to the Chairman of the Distell Scheme Meeting before the Distell Scheme Meeting commences at 12h00 on Friday, 27 October 2017.
18. If this form of proxy has been delivered to Distell, as long as that appointment remains in effect, any notice that is required by the Companies Act or Distell's memorandum of incorporation to be delivered by Distell to the Distell Shareholder must be delivered by the Company to (i) the Distell Shareholder or (ii) the proxy or proxies, if the Distell Shareholder has directed Distell in writing to do so and paid any reasonable fee charged by Distell for doing so.
19. The foregoing notes contain a summary of the relevant provisions of section 58 of the Companies Act, as required in terms of that section. In addition, an extract from the Companies Act reflecting the provisions of section 58 of the Companies Act, is provided below.

Extract from the Companies Act

"58. Shareholder right to be represented by proxy

- (1) At any time, a shareholder of a company may appoint any individual, including an individual who is not a shareholder of that company, as a proxy to:
 - (a) participate in, and speak and vote at, a shareholders meeting on behalf of the shareholder; or
 - (b) give or withhold written consent on behalf of the shareholder to a decision contemplated in section 60.
- (2) A proxy appointment –
 - (a) must be in writing, dated and signed by the shareholder; and
 - (b) remains valid for –
 - (i) one year after the date on which it was signed; or
 - (ii) any longer or shorter period expressly set out in the appointment, unless it is revoked in a manner contemplated in subsection (4)(c), or expires earlier as contemplated in subsection (8)(d).
- (3) Except to the extent that the Memorandum of Incorporation of a company provides otherwise –
 - (a) a shareholder of that company may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by the shareholder;
 - (b) a proxy may delegate the proxy's authority to act on behalf of the shareholder to another person, subject to any restriction set out in the instrument appointing the proxy; and
 - (c) a copy of the instrument appointing a proxy must be delivered to the company, or to any other person on behalf of the company, before the proxy exercises any rights of the shareholder at a shareholders meeting.
- (4) Irrespective of the form of instrument used to appoint a proxy –
 - (a) the appointment is suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder.
 - (b) the appointment is revocable unless the proxy appointment expressly states otherwise; and
 - (c) if the appointment is revocable, a shareholder may revoke the proxy appointment by:
 - (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and
 - (ii) delivering a copy of the revocation instrument to the proxy, and to the company.
- (5) The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of –
 - (a) the date stated in the revocation instrument, if any; or
 - (b) the date on which the revocation instrument was delivered as required in subsection (4)(c)(ii).
- (6) If the instrument appointing a proxy or proxies has been delivered to a company, as long as that appointment remains in effect, any notice that is required by this Act or the company's Memorandum of Incorporation to be delivered by the company to the shareholder must be delivered by the company to –
 - (a) the shareholder; or
 - (b) the proxy or proxies, if the shareholder has:
 - (i) directed the company to do so, in writing; and
 - (ii) paid any reasonable fee charged by the company for doing so.
- (7) A proxy is entitled to exercise, or abstain from exercising, any voting right of the shareholder without direction, except to the extent that the Memorandum of Incorporation, or the instrument appointing the proxy, provides otherwise.
- (8) If a company issues an invitation to shareholders to appoint one or more persons named by the company as a proxy, or supplies a form of instrument for appointing a proxy –
 - (a) the invitation must be sent to every shareholder who is entitled to notice of the meeting at which the proxy is intended to be exercised;
 - (a) the invitation, or form of instrument supplied by the company for the purpose of appointing a proxy, must:
 - (i) bear a reasonably prominent summary of the rights established by this section;
 - (ii) contain adequate blank space, immediately preceding the name or names of any person or persons named in it, to enable a shareholder to write in the name and, if so desired, an alternative name of a proxy chosen by the shareholder; and
 - (iii) provide adequate space for the shareholder to indicate whether the appointed proxy is to vote in favour of or against any resolution or resolutions to be put at the meeting, or is to abstain from voting;
 - (a) the company must not require that the proxy appointment be made irrevocable; and
 - (a) the proxy appointment remains valid only until the end of the meeting at which it was intended to be used, subject to subsection (5).
- (9) Subsection (8)(b) and (d) do not apply if the company merely supplies a generally available standard form of proxy appointment on request by a shareholder."



Distell Group Limited

(Incorporated in the Republic of South Africa)

(Registration Number: 1988/005808/06)

JSE Code: DST ISIN: ZAE000028668

("Distell" or "the Company")

Distell Directors

Executive

Richard Rushton

Lucas Verwey

Non-executive

Jannie Durand

Pieter Louw (alternate)

Ethel Matenge-Sebesho

Chris Otto

Independent Non-executive

Piet Beyers

Gugu Dingaan (alternate)

Dr Prieur du Plessis

Joe Madungandaba

Louisa Mojela

André Parker

Catharina Sevillano-Barredo

Ben van der Ross

FORM OF SURRENDER AND TRANSFER

Where appropriate and applicable, the terms defined in the Circular to which this form of surrender and transfer is attached and forms part of bear the same meanings in this form of surrender and transfer.

Important notes concerning this form:

- This form is only for use in respect of the Scheme of Arrangement in terms of section 114 of the Companies Act, 2008 proposed by Distell between Distell and the Distell Minorities, to which DGHL is a party, as defined in the Circular ("**Distell Scheme**").
- Full details of the Distell Scheme are contained in the Circular to Distell Shareholders dated 20 September 2017, to which this form is attached and forms part.
- **This form is attached for Distell Scheme Participants who are Certificated Distell Shareholders, to enable them to surrender their Documents of Title prior to the date of the Distell Scheme Meeting to be held at 12h00 on Friday, 27 October 2017 or such other adjourned or postponed date or time determined in accordance with the provisions of the Companies Act as read with the JSE Listings Requirements. No further form of surrender and transfer will be sent to Distell Shareholders.**
- **If the Distell Scheme is implemented, Certificated Distell Shareholders who (i) do not complete and return this form of surrender and transfer in accordance with the instructions contained herein, or (ii) fail to provide any account details, or provide incorrect account details, of their CSDP or Broker, will receive their DGHL Ordinary Shares in Dematerialised form and become an Issuer Nominee Dematerialised DGHL Shareholder, in which event you should pay careful attention to the Important Note provided below.**

INSTRUCTIONS:

HOLDERS OF DEMATERIALISED DISTELL SHARES MUST NOT COMPLETE THIS FORM OF SURRENDER AND TRANSFER

1. This form of surrender and transfer is for use only by Certificated Distell Shareholders.
2. A separate form of surrender and transfer is required for each Certificated Distell Shareholder.
3. Part A and Part C must be completed by all Distell Scheme Participants who return this form.
4. All Distell Scheme Participants who are Emigrants from South Africa, the Republic of Namibia and the Kingdoms of Lesotho and Swaziland (the Common Monetary Area) must also complete Part B of this form.
5. If this form of surrender and transfer is returned with the relevant Document(s) of Title to Distell Shares, it will be treated as a conditional surrender which is made subject to the terms of the Circular and to the Distell Scheme becoming operative. In the event of the Distell Scheme not becoming operative for any reason whatsoever, the Transfer Secretaries, Computershare Investor Services Proprietary Limited, will, by not later than 5 Business Days after the date upon which it becomes known that the Distell Scheme will not be operative, return the Documents of Title to the Distell Shareholders concerned, by registered mail, at the risk of such Distell Shareholder.
6. Persons who have acquired Distell Shares after the date of the issue of the Circular can obtain electronic copies of this form and the Circular from the Company's website (www.distell.co.za) or from the Transfer Secretaries, Computershare Investor Services Proprietary Limited, 15 Biermann Avenue, Rosebank, Johannesburg, 2196, Republic of South Africa, (PO Box 61763, Marshalltown, 2107).
7. The DGHL Ordinary Shares will not be delivered to Distell Scheme Participants who are Certificated Distell Shareholders unless and until this form of surrender and transfer has been completed and the Documents of Title (together with this form) in respect of the relevant Distell Shares have been surrendered to Computershare Investor Services Proprietary Limited.

To: Computershare Investor Services Proprietary Limited
15 Biermann Avenue, Rosebank, Johannesburg, 2196, Republic of South Africa
(PO Box 61763, Marshalltown, 2107)

Emigrants from the
common monetary
area **must** complete
Part B

Dear Sirs,

PART A – TO BE COMPLETED BY ALL DISTELL SCHEME PARTICIPANTS WHO ARE CERTIFICATED DISTELL SHAREHOLDERS AND WHO ARE NOT EMIGRANTS OF THE COMMON MONETARY AREA.

I/We hereby surrender the Distell Share certificate/s and/or other Documents of Title attached hereto, representing Distell Shares, registered in the name of the person mentioned below, and authorise the Transfer Secretaries, conditional upon the Distell Scheme becoming operative, to register the transfer of these Distell Shares into the name of DGHL or its nominee(s).

Name of shareholder	Certificate number(s)	Number of Distell Shares covered by each certificate(s) enclosed
Total		

Surname or name of corporate body:

First names (in full):

Title (Mr, Mrs, Miss, Ms, etc.):

Telephone number (office):

Telephone number (work):

Cell number:

Fax Number:

Email address:

In order to comply with the requirements of the Financial Intelligence Centre Act, 2001 (Act 38 of 2001), the Transfer Secretaries, Computershare Investor Services Proprietary Limited, will not be able to record any change of address mandated unless the following documentation is received from the relevant Distell Shareholder:

- An original certified copy of your identity document;
- An original certified copy of a document issued by the South African Revenue Services to verify your tax number. If you do not have one, please confirm this in writing and have the letter signed by a Commissioner of Oaths; and
- An original or an original certified copy of a service bill to verify your residential address e.g. rates/electricity bill or telephone bill (not a mobile telephone account) bearing your name and current residential address. Alternatively you may provide any two retail credit account statements (e.g. Edgars, Jet, Woolworths etc), that reflect your residential address. Should the service bill be in the name of a third party, please supply a certified copy of the homeowner's identity document, service bill and a completed and signed "Co-Habitant form" in the form required by the Transfer Secretaries, Computershare Investor Services Proprietary Limited. Please note that all documents should be dated within the preceding 3 months.

Please note that copies of certified copies will not be accepted.

PLEASE SIGN BELOW – ALL DISTELL SCHEME PARTICIPANTS WHO ARE CERTIFICATED DISTELL SHAREHOLDERS MUST SIGN

Signature of Distell Shareholder(s)	Stamp and address of agent lodging this form (if any)
Assisted by me (if applicable)	
State full name and capacity	
Date	
Telephone number (home)	
Telephone number (work)	
Cell phone number	

PART B: TO BE COMPLETED BY DISTELL SCHEME PARTICIPANTS WHO ARE CERTIFICATED DISTELL SHAREHOLDERS AND EMIGRANTS OF THE COMMON MONETARY AREA.

Nominated authorised dealer in the case of a Scheme Participant who is an Emigrant from the Common Monetary Area (see note 2 below)

Name of dealer:

Account number:

Address:

NB: PART A MUST ALSO BE COMPLETED

PART C: TO BE COMPLETED BY ALL SCHEME PARTICIPANTS WHO ARE CERTIFICATED DISTELL SHAREHOLDERS TO CONFIRM THEIR ACCOUNT DETAIL FOR SETTLEMENT OF THEIR DGHL ORDINARY SHARES.

All Distell Shareholders (save for Dissenting Distell Shareholders who have given notice in terms of sections 164(5) to 164(8) of the Companies Act and who do not withdraw their respective demands or allow any offers made by the Company to them in terms of section 164(11) of the Companies Act to lapse) should kindly complete the section below, dealing with the settlement of the DGHL Ordinary Shares upon the Distell Scheme becoming operative.

Please insert the account details of your broker or CSDP, which account you wish to be credited with your DGHL Ordinary Shares,

Name of account holder:

Name of broker:

Name of CSDP:

Account number of broker:

Account number of CSDP:

Telephone number of broker/CSDP:

SCA number of broker/CSDP:

Please note: The account details provided above must be verified by your broker or CSDP, and proof of such verification must accompany this form of surrender, and transfer. Should the account details provided by you above be incorrect or incomplete, it will not be possible to credit such account with the DGHL Ordinary Shares, in which case you will become an Issuer Nominee Dematerialised DGHL Shareholder, in which event you should pay careful attention to the Important Note provided below.

Important Note:

If:

- (i) you fail to complete and return this form in accordance with the instructions detailed herein, or**
- (ii) you fail to provide any account details, or provide incorrect account details, of your CSDP or Broker, into which your DGHL Ordinary Shares are to be transferred,**

your DGHL Ordinary Shares will be transferred in Dematerialised form to an account in the name of Computershare Nominees Proprietary Limited, the nominee of Computershare Proprietary Limited's CSDP, who will, subject to what is stated below, hold such DGHL Ordinary Shares as the registered holder thereof but for and on your behalf, and you will become an Issuer Nominee Dematerialised DGHL Ordinary Shareholder. The beneficial ownership of such DGHL Ordinary Shares will remain with you, as the relevant Issuer Nominee Dematerialised DGHL Ordinary Shareholder but subject to what is stated below, and will be recorded on a sub-register (also commonly known as the nominee sub-register) maintained by Computershare Proprietary Limited. Issuer Nominee Dematerialised DGHL Ordinary Shareholders will receive a statement from Computershare Proprietary Limited, which will confirm the number of DGHL Ordinary Shares held by such Issuer Nominee Dematerialised DGHL Ordinary Shareholder. Issuer Nominee Dematerialised DGHL Ordinary Shareholders will have the option to move their DGHL Ordinary Shares to their own brokerage/CSDP account or to materialise and Certify their DGHL Ordinary Shares, at any stage but subject to what is stated below. Issuer Nominee Dematerialised DGHL Ordinary Shareholders will be bound by the provisions of Strate's rules and directives in respect of their DGHL Ordinary Shares held in the nominee sub-register, and will be deemed to have concluded a custody agreement with Computershare Proprietary Limited, which establishes a business relationship between Computershare Proprietary Limited and each Issuer Nominee Dematerialised DGHL Ordinary Shareholder. A copy of the custody agreement, which will be deemed to have been concluded in such circumstances, is available on the Computershare website at www.computershare.com.

Shareholders should note that should any Issuer Nominee Dematerialised DGHL Ordinary Shareholder fail to arrange with Computershare Proprietary Limited for either the transfer of their DGHL Ordinary Shares from the nominee sub-register into their own brokerage/CSDP account or to materialise and Certify their DGHL Ordinary Shares within 3 years after the Distell Operative Date, the DGHL Shares due to such Issuer Nominee Dematerialised DGHL Ordinary Shareholder will be disposed of at the ruling market price and the disposal consideration, less the costs incurred in disposing of the DGHL Shares, will be paid to the benefit of the Guardian's Fund of the Master of the High Court. The proceeds of such disposal may be claimed by the relevant Issuer Nominee Dematerialised DGHL Ordinary Shareholder, subject to the requirements imposed by the Master of the High Court. In this regard, each Issuer Nominee Dematerialised DGHL Ordinary Shareholder irrevocably authorises and appoints Distell (or its successor-in-title), in *rem suam*, with full power of substitution, to act as its agent and in its name, place and stead to dispose of such Issuer Nominee Dematerialised DGHL Ordinary Shareholder's DGHL Shares and to pay the proceeds to the benefit of the Guardian's Fund in the aforesaid manner.

Please see instructions on reverse side hereof.

Instructions:

1. This form of surrender and transfer is irrevocable and may not be withdrawn once submitted.
2. Distell Scheme Participants should consult their professional advisers in case of doubt as to the correct completion of this form.
3. No receipts will be issued for documents lodged unless specifically requested. In compliance with the requirements of the JSE, lodging agents are requested to prepare special transaction receipts, if required. Signatories may be called upon for evidence of their authority or capacity to sign this form.
4. Persons who are Emigrants from the Common Monetary Area should nominate the authorised dealer in foreign exchange in South Africa which has control of their blocked assets in Part B of this form. Failing such nomination, the DGHL Ordinary Shares due to such Scheme Participants in accordance with the provisions of the Distell Scheme and the Entitlement Ratio will be held by Distell or the Transfer Secretaries, pending receipt by the Transfer Secretaries of lawful instructions from the Scheme Participants concerned.
5. Any alteration to this form must be signed by the Scheme Participant in full, and not initialed.
6. If this form is signed under a power of attorney, then such power of attorney or a notarially certified copy thereof must be sent with this form for noting (unless it has already been noted by Distell or its Transfer Secretaries). This does not apply in the event of this form bearing a JSE Broker's stamp.
7. Where the Scheme Participant is a company or a close corporation, unless it has already been registered with Distell or its Transfer Secretaries, a certified copy of the Distell Scheme Participant's directors' or members' resolution authorising the signing of this Form must be submitted, if so requested by Distell.
8. If this form is not signed by the Scheme Participant, the Scheme Participant will be deemed to have irrevocably appointed the Company Secretary of Distell or its Transfer Secretaries to implement the Scheme Participant's obligations under the Distell Scheme on his/her behalf.
9. Where there are any joint holders of any Distell Shares, only that holder whose name stands first in the Register in respect of such shares need sign this form.
10. A minor must be assisted by his/her parent or guardian, unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Transfer Secretaries of Distell.

